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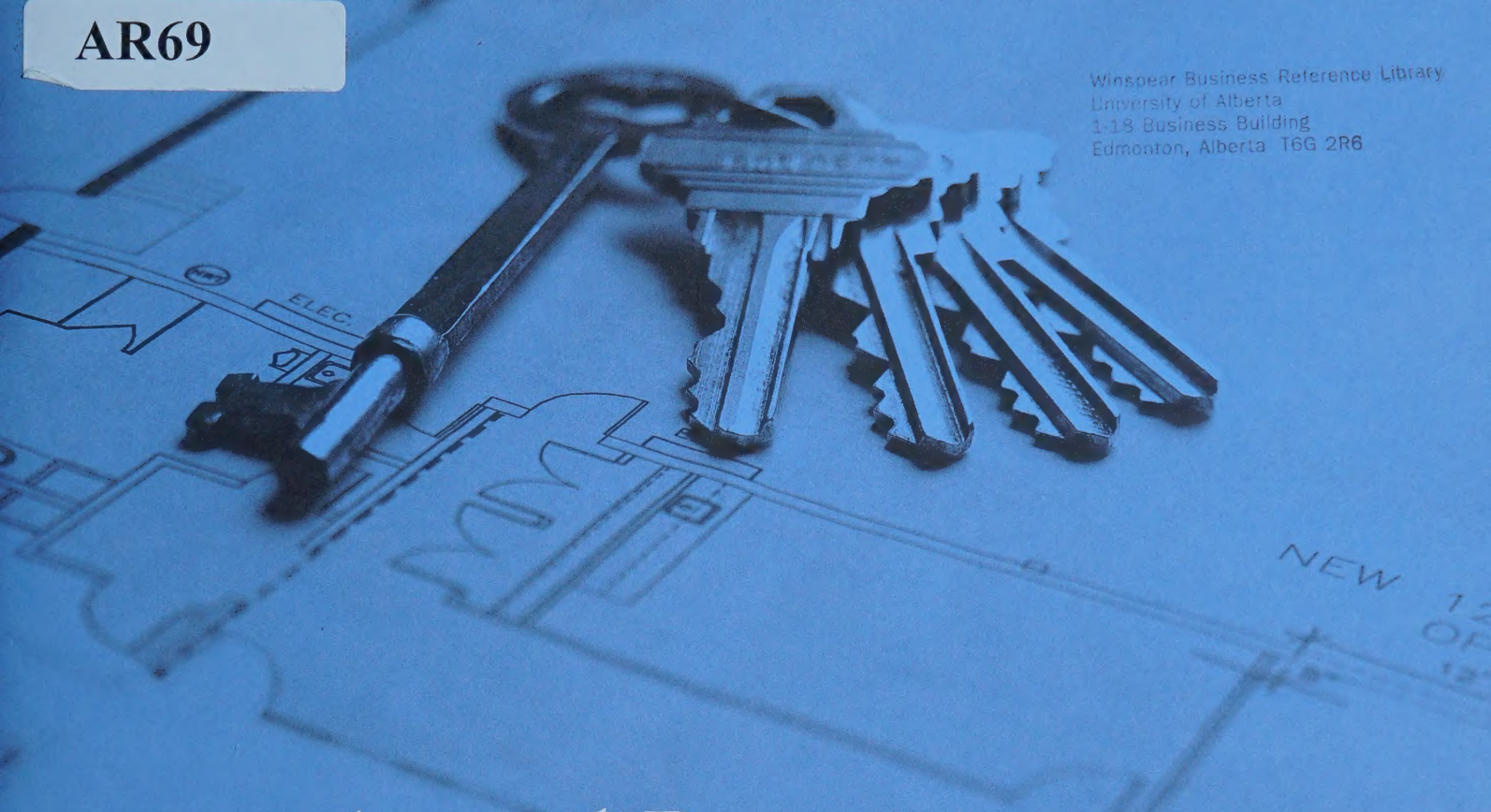

Annual Report 2003

summit REIT

2003 Highlights

year ended December 31 *(in $,000 except per unit amounts)*	**2003**	2002	2001
Operating Revenues	**235,588**	206,340	144,271
Net Operating Income	**149,562**	128,774	88,410
Net Income	**63,736**	59,380	40,040
Recurring Distributable Income *	**84,305**	70,792	44,350
Recurring Distributable Income per Unit *	**$ 1.62**	$ 1.62	$ 1.54
Distributions per Unit	**$ 1.53**	$ 1.53	$ 1.53
Net Income per Unit	**$ 1.23**	$ 1.34	$ 1.34
Real Property Investments	**1,553,519**	1,461,013	1,033,884
Weighted Average Units Outstanding	**52,048**	43,792	28,842
Properties:			
Number of properties	**384**	346	229
Gross leaseable area (square feet)	**26,717**	23,853	14,048

** excludes gains / losses on property dispositions*

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Report to Unitholders

2003 was an important year for Summit REIT as we essentially completed our efforts to reposition the property portfolio primarily within the light industrial sector of the Canadian real estate business. The addition of 4.3 million square feet of light industrial space through our acquisition and property expansion programs, combined with the divestiture of 1.2 million square feet of non-core assets, has resulted in almost 90% of our total portfolio now positioned in the highly stable industrial sector. Going forward, we will build our brand as Canada's Industrial Landlord with the aim of generating further growth in distributable income and Unitholder value over the long term.

Our 2003 financial and operating performance met all our objectives and demonstrated once again the strength and stability of light industrial real estate. The increase in the size of our property portfolio produced a 14% increase in revenues for the year. More importantly, by capitalizing on the available economies of scale and operating efficiencies created by this portfolio growth, recurring distributable income rose by over 19% compared to 2002. This solid financial performance is due to the successful execution of a number of strategies, outlined herein, which we are confident will continue to build value in the coming years.

Growing the Portfolio

Acquisitions of light industrial properties were completed in a number of key cities in 2003 despite a tightening of the acquisition market during the year. One of our stated strategies is to build critical mass in specific geographic regions, and during the year we solidified our position as the largest industrial landlord in Calgary, Edmonton, Ottawa and Halifax, the second largest in the Greater Toronto Area, and one of the top five in Montreal, Winnipeg and key regional centres such as London, Kitchener/Waterloo and Cambridge, Ontario. With this growth, we have further accelerated our ability to generate cost savings, operating synergies, and enhanced our capacity to offer tenants a complete range of property types, locations, ceiling heights, loading bays and other characteristics to meet their needs. Further, by expanding the size of the portfolio across the country and increasing our number of tenants, we have reduced risk for our unitholders.

Portfolio growth has also been generated through our programs to expand leaseable space based on tenant demand, including our

strategic alliance with one of Canada's most respected design-build companies. In addition to enhancing our market presence and strengthening relations with our tenants, the expansions of existing properties also produce significantly higher returns on investment as no land costs are incurred.

Strong Operating Performance

Over the past fifteen years, industrial properties in Canada have consistently demonstrated higher and more stable income returns than any other type of real estate. This solid performance is due primarily to the lower maintenance, tenant inducement and capital improvement costs in industrial properties, as well as the wide diversity of tenants occupying them. Summit is home to approximately 3,000 businesses and institutions, including leading wholesalers, government agencies, banks and numerous well-known local, national and multi-national corporations. This solid and growing tenant base also reduces Unitholder risk as no single industrial tenant accounts for more than 1% of our total base rent.

Another key reason for our strong operating performance in 2003 was the significant contribution from Summit REIT Property Management Inc. (SRPM), a wholly-owned subsidiary of Summit REIT. Established in April 2002 to manage a substantial part of our Canadian portfolio, SRPM leverages the proven expertise and market knowledge of our approximately 140 property management professionals to deliver a full range of "best in class" services to our growing base of tenants. In addition to generating a growing stream of distributable income, SRPM has also made a meaningful contribution towards stabilizing our occupancies through such progressive initiatives as its national "Frequent Leasing Program". This innovative program rewards independent real estate brokers for the amount of space they lease for SRPM – the more business they bring to Summit, the larger the bonus they receive. In 2003 over 100 brokers participated in the program, with 63 members reaching reward levels. Subsequent to the year-end, we extended SRPM's presence by consolidating property management for our entire Canadian portfolio within the SRPM family. Now, SRPM will be providing its full range of services for our complete Canadian property portfolio, including our remaining grocery-anchored retail and office tenants. This initiative will also result in annual cost savings of approximately $1 million.

Financial Discipline

As we have grown and repositioned our property portfolio, we have also taken a number of steps to ensure Unitholder risk has been minimized. For example, during 2003 we refinanced certain properties to spread out the maturity dates of the mortgage portfolio more appropriately. These initiatives were also undertaken to capitalize on the current low interest rate environment and reduce our weighted average interest cost.

To fund our 2003 acquisition program, in December 2002 we successfully completed an $86.2 million "bought-deal" equity financing and, early in 2003, negotiated a $100 million increase in our acquisition credit lines. Despite the resulting 19% increase in the weighted average number of Units outstanding, Summit's recurring distributable income per Unit remained steady in 2003. To enhance our ability to continue building the size of the portfolio, we completed another $82.5 million equity offering in December 2003, and as we utilize these funds to purchase additional light industrial properties in 2004, Summit's accretive growth will accelerate.

In early January 2004 we completed our second financing using Commercial Mortgage Pass-Through Certificates. The $172.6 million raised through this innovative vehicle paid down our acquisition lines and certain non-revolving credit facilities while maintaining Summit's conservative 51.4% leverage ratio. In addition, significant cash savings will result from the lower interest rates and reduced amortization.

Finally, in March 2004 we successfully completed an offering of $100 million in 10 year unsecured convertible debentures paying a coupon of 6.25%. With this offering, we locked in long-term debt at favourable interest rates while reducing the cost of financing our growth. More importantly, with the repayment of our acquisition facilities, we freed up a significant pool of available capital that will allow us to move quickly on the numerous acquisition opportunities available to us.

A Significant Track Record of Performance

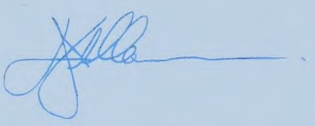
Since inception, our long-term goals have remained constant – to grow distributable income and cash distributions for our Unitholders. Since 1996, recurring distributable income has grown from $1.30 per Unit to $1.62 per Unit in 2003, a total increase of almost 25% or 3.1% on an annual basis. Cash distributions have also grown, rising from $1.30 per Unit in 1996 to $1.53 per Unit in 2003 and generating a total increase of 18%, or 2.3% on an annual basis. We are proud to have met these key goals over the past eight years. We are also very pleased that Unitholders achieved a total return of approximately 30% in 2003, among the highest returns of all Canadian REITs.

Looking Ahead

Our efforts will be focused on enhancing income returns from our portfolio investments and growing distributable income through our proven property management strategies.

With the completion of our recent equity financing and the significant benefits resulting from our second CMBS financing and convertible debenture offering, we are positioned strongly with sufficient capital to continue expanding our property portfolio and enhancing our critical mass in the markets in which we choose to operate. As of December 31, 2003 we had the financial capacity to purchase an additional $358 million in properties. However, the market for accretive acquisitions is currently very competitive, and we will not purchase a property unless it is priced appropriately to meet our objectives. We will also capitalize on the considerable opportunities for us to grow leaseable space through property expansions and joint venture development projects where the income returns meet our objectives.

In conclusion, on behalf of the Trustees and all Unitholders, I want to thank everyone at Summit for their hard work and dedication over the past year. We accomplished a great deal in 2003, achievements that position us for even better performance in 2004, and beyond.



Louis Maroun
President and Chief Executive Officer

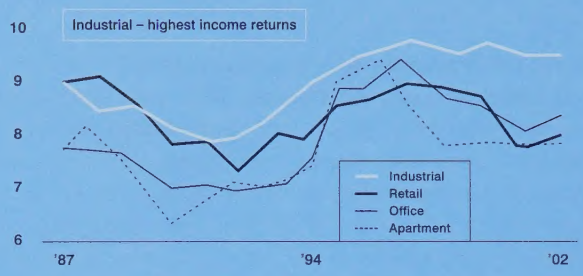
2003 At-A-Glance

A STRONG PRESENCE IN MAJOR MARKETS

#1	Edmonton, Calgary, Ottawa, Halifax
#2	Toronto
Top 5	Montreal, Kitchener/Waterloo, Cambridge, Winnipeg

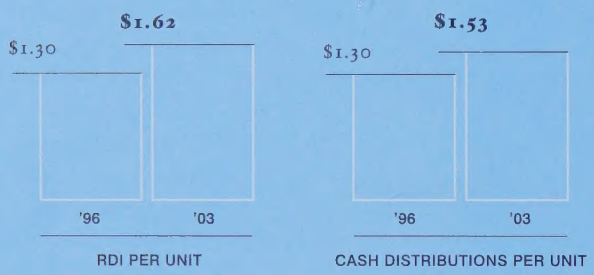
Ranking as Industrial Landlord Summit's strong track record of accretive growth has transformed it into the single largest industrial landlord in Calgary, Edmonton and Halifax, second largest in the Greater Toronto Area, and one of the top-five in Montreal and a number of other key regions.

A STRONG AND STABLE SEGMENT



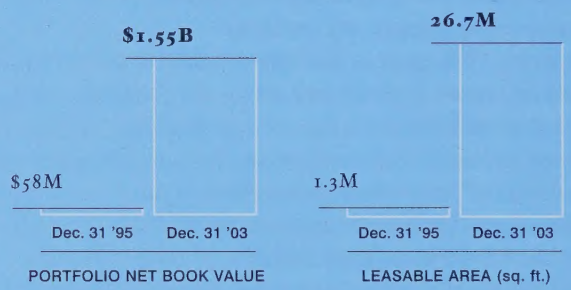
% Income return for year ending June 2003 As Canada's Industrial Landlord, Summit is positioned in one of the strongest and most stable sectors of the Canadian real estate business. Industrial properties have consistently produced higher income returns than any other type of real estate, generating stable cash flow and distributable income.

A TRACK RECORD PERFORMANCE



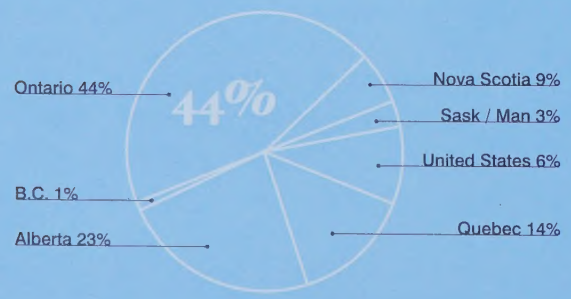
Meeting Our Goals Since inception as a REIT in January 1996, Summit has generated significant growth for its Unitholders. Recurring distributable income has risen 25% or 3.1% annually, while cash distributions have increased 18% or 2.25% on annual basis.

CANADA'S INDUSTRIAL LANDLORD



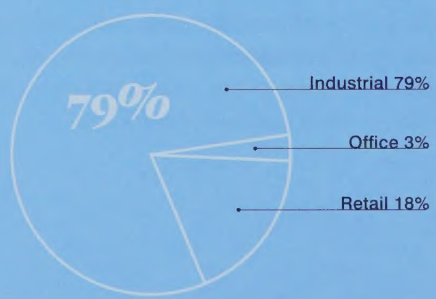
Significant Growth With the completion of major portfolio and property acquisitions over the past two years, Summit has grown to become Canada's largest publicly-traded industrial landlord.

GEOGRAPHIC DIVERSIFICATION



Net Operating Income (Dec31, 2003) Summit's portfolio is well diversified among Canada's major industrial markets. Summit's focus is on building scale and critical mass in all of the markets in which it chooses to operate, thereby maximizing economies of scale and the ability to offer its tenants a full range of property options.

MAJOR INDUSTRIAL PRESENCE



Net Operating Income (Dec 31, 2003) In 2003 Summit essentially completed its transformation into Canada's largest publicly-held industrial landlord. With over 90% of the portfolio's square footage in the light industrial sector, Summit will continue to grow through accretive acquisitions and focused development and expansion activities.

Real Property Investments

Prov/State	Location	City/Market	# of Properties	# of Bldgs	# of Tenants	GLA(sq.ft.)	Occupancy %
INDUSTRIAL PORTFOLIO LISTINGS							
BC							
Total British Columbia		Vancouver	5	8	18	862,761	99.6%
AB	Calgary	Central Calgary	18	20	160	1,010,346	93.0%
		Foothills	11	11	53	1,260,115	94.9%
		Northeast Calgary	18	25	146	1,354,908	92.4%
		Southwest Calgary	1	1	3	91,734	100.0%
			48	57	362	3,717,103	93.8%
	Edmonton	North Edmonton	11	15	59	879,757	96.9%
		South Edmonton	18	37	260	1,832,221	95.5%
			29	52	319	2,711,978	96.0%
Total Alberta			77	109	681	6,429,081	94.6%
MB/SK							
Total Manitoba/Saskatchewan		Winnipeg/Regina	15	19	113	947,830	73.6%
ON	GTA	Vaughan	6	9	62	774,907	98.4%
		Markham	26	26	70	830,573	92.3%
		Scarborough	11	14	60	1,101,191	91.4%
		Mississauga	105	129	435	4,601,342	97.4%
		Etobicoke	17	17	19	1,160,341	82.6%
			165	195	646	8,468,354	94.3%
	Other Ontario		5	23	129	570,889	91.3%
	Ottawa		7	11	71	747,514	89.2%
	Cambridge		3	3	10	284,987	97.9%
Total Ontario			180	232	856	10,071,744	93.8%
QC	Montreal	West Island	27	27	172	1,859,830	93.1%
		East Montreal	3	3	18	216,600	96.8%
		Laval	9	9	61	671,750	96.4%
		South Shore	4	4	26	283,472	95.1%
Total Quebec			43	43	277	3,031,652	94.3%
NS							
Total Nova Scotia		Halifax	19	33	316	1,430,271	94.2%
USA		Jacksonville	3	10	53	582,441	72.5%
		Tampa	3	11	31	486,703	97.4%
Total USA			6	21	84	1,069,144	83.6%
Total Industrial Portfolio			**345**	**465**	**2,345**	**23,842,483**	**93.0%**
RETAIL/OFFICE PORTFOLIO LISTINGS							
Western Canada		Edmonton	7	23	81	416,992	96.2%
		Winnipeg/Regina	3	3	7	182,658	100.0%
Total Western Canada			10	26	88	599,650	97.3%
Ontario			17	30	193	1,264,329	92.9%
Quebec			7	13	46	361,967	96.4%
Nova Scotia			4	9	117	519,901	95.2%
United States			1	1	14	128,183	87.4%
Total Retail/Office			**39**	**79**	**458**	**2,874,030**	**94.5%**
Total Gross Leasable Area			**384**	**544**	**2,803**	**26,716,513**	**93.2%**

Management's Discussion and Analysis

OVERVIEW

Summit Real Estate Investment Trust, "Summit", is an unincorporated closed-end trust governed by the laws of the Province of Ontario pursuant to the terms of its amended and restated Declaration of Trust dated May 21, 2002 (the "Declaration of Trust"). Summit is publicly traded on the Toronto Stock Exchange under the symbol SMU.UN.

Summit is focused primarily on the light industrial segment of the Canadian real estate industry, with additional investments in the Canadian grocery-anchored retail sector. Summit also owns three office properties and a predominantly light industrial portfolio of properties in the United States. Through its wholly-owned subsidiary, Summit REIT Property Management Ltd., Summit provides property management services to its growing base of tenants in Canada. Summit has approximately 140 employees with offices in Halifax, Montreal, Ottawa, Toronto, London, Winnipeg, Calgary and Edmonton.

Through a series of accretive acquisitions of light industrial properties Summit has grown to become the largest publicly-traded light industrial landlord in Canada. At December 31, 2003, Summit owned 384 properties comprised of 26.7 million square feet of gross leaseable area (GLA) in Canada and the US serving approximately 3,000 tenants. Approximately 89% of the total portfolio's GLA (79% of annualized net operating income or NOI) was in the light industrial sector, with 9% (18% of annualized NOI) in the grocery-anchored retail sector and 2% (3% of annualized NOI) in the office sector. The value of Summit's real estate holdings has grown from just over $59 million in 1995 to approximately $1.6 billion in 2003.

FORWARD LOOKING DISCLAIMER

The following discussion and analysis of the financial results and position should be read in conjunction with the audited financial statements and notes to those statements for the years ended December 31, 2003 and 2002. Historic results may not be indicative of future results. Certain statements in this discussion can be considered forward looking, and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contained in these forward looking statements. These risks and uncertainties are described elsewhere in this discussion and in other regulatory filings.

SIGNIFICANT ACCOUNTING POLICIES

Summit's Management's Discussion and Analysis is based on its consolidated financial statements which have been prepared in accordance with generally accepted accounting principles. Summit's significant accounting policies are described in detail in Note 2 of its audited financial statements for the years ended December 31, 2003 and 2002.

SUMMIT'S BUSINESS, VISION AND STRATEGY

SUMMIT'S BUSINESS

Primary Investment

Light Industrial Segment Summit is focused primarily on the light industrial sector of the Canadian real estate industry. Light industrial properties are generally one or two story properties located in or near major cities. The properties house such activities as warehousing and storage, light assembly and shipping, call centers and technical support, professional services, and a number of other similar uses. There are no significant heavy industrial activities conducted in the properties owned by Summit.

Summit has selected this focus due to the long-term strength and stability of light industrial real estate. Over the past fifteen years, light industrial properties have generated, on average, higher income returns than any other segment within the Canadian real estate industry[1]. These solid returns are due to generally lower capital expenditure requirements and reduced maintenance, leasehold improvement and tenant inducement costs. In addition, the scale and diversity of the tenant base occupying light industrial properties generally tracks the overall economy, reducing risk and providing predictable and consistent cash flow.

1 Frank Russell Canada's Property Index

Secondary Investment

Retail Segment Summit owns a portfolio of grocery-anchored retail properties. This sector of the real estate industry has also demonstrated a stable and consistent track record of high returns on investment and steady, sustainable cash flow. Typically neighborhood retail centres anchored by a major grocery chain are less vulnerable to economic downturns as the goods and services available at these properties are generally necessary for everyday living.

Other Investments

Office Segment Summit continues to own three office properties in certain select markets. These properties have generated a strong pattern of stable income, and were purchased at valuations significantly lower than replacement cost. Over the longer term Summit plans to exit this segment due to the significant capital and leasing requirements of this asset type.

United States The majority of Summit's property portfolio is located in Canada. As at December 31, 2003, approximately 4% of total GLA (6% of NOI) was situated in the United States in seven properties. Management intends to direct efforts in 2004 to improve performance in its US portfolio with the ultimate objective of substantially exiting this segment over the next two years.

SUMMIT'S VISION AND STRATEGY

Summit's mission is to provide best-in-class properties and services to its tenants while delivering solid, stable and secure returns to its Unitholders. Over the long-term, Summit is dedicated to maximizing distributable income through effective property management, accretive acquisitions, innovative financings, and selective development opportunities.

To achieve these goals, Summit has developed a series of short and long-term objectives:

1. To produce superior, dependable returns for its Unitholders.

Summit strives, over the long-term, to produce superior, dependable returns for its Unitholders.

To meet this objective, Summit plans to ensure it generates accretive growth by purchasing properties at values that are at or below replacement cost. Summit also intends to maximize over time all available expansion opportunities on its existing properties and, through joint venture partnerships, undertake development projects that significantly reduce Unitholder risk. In the pursuit of generating increasing distributable income, Summit plans to maximize operating synergies and economies of scale and will strive to properly balance the debt portfolio with the lowest possible cost of capital. Summit will strive to achieve 2% to 3% annual growth in recurring distributable income.

2. To become the dominant industrial landlord in certain carefully selected cities and geographic regions, ultimately controlling approximately 7% to 10% of the total leaseable industrial real estate sector in Canada or approximately 50 million to 70 million square feet.

By building critical mass in its chosen markets, Summit plans to increasingly capture economies of scale and operating synergies to grow its distributable income. Further, Summit will create diversity in its industrial inventory to accommodate tenant needs. In addition, as Canada's largest publicly-held industrial landlord, Summit is consistently one of the first to be presented with acquisition opportunities by sellers of industrial real estate which allows Summit to be selective.

To meet this objective, Summit plans to continue to acquire light industrial properties and expand GLA in its owned properties based on tenant demand and through joint venture development projects. As at December 31, 2003 Summit had the financial capacity to acquire approximately $358 million in new properties as this would bring its leverage to 60%, the maximum permitted under its Declaration of Trust. However, it is currently Summit's business plan to operate with leverage in the mid 50% range. Leverage as at January 31, 2004 stood at 51.9%. Furthermore, Summit plans to spend approximately $50 million on property expansion and development activities in 2004 in order to add approximately 800,000 square feet of GLA to the portfolio by year-end. Management is confident that through its strong relationships with its lenders and the ability it has demonstrated in accessing the capital markets that it will generate sufficient cash flow to meet growth targets over the long-term.

3. To become the top manager and leasing group of industrial real estate in Canada.
By strengthening its reputation as a leading property manager and continuing to meet the needs of its tenants, Summit will enhance its track record of high occupancies and tenant retention over the long-term. Retaining a tenant is much more efficient and much less expensive than the cost of attracting a new tenant to a vacant space. High occupancies and high tenant retention ratios lead to maximum cash flow from Summit's real property investments.

To meet this objective, Summit established its own property management company in April 2002. Summit REIT Property Management Ltd., "SRPM", a wholly-owned subsidiary of Summit, has been providing property management and leasing services to Summit's Canadian light industrial properties. Effective February 15, 2004, SRPM took over management responsibilities for Summit's entire Canadian property portfolio including office and retail space. SRPM's vision is to be "best-in-class" in property management and leasing, and plans to accomplish this vision through innovative programs that focus on tenant retention, real estate broker loyalty, standardization of operations, operating efficiency and proactive employee management.

Business and Economic Environment Industrial real estate, like almost all sectors of real estate, has been influenced by the economic slowdown of the past few years, both in Canada and the United States. GDP growth has averaged close to 2.5% to 3.0% over the past three years, which is well off the pace of the late 1990's. This growth was driven primarily by significant manufacturing-sector job creation that drove down vacancy levels in the industrial sector and created demand for new supply. In contrast to other real estate sectors – as well as other asset classes such as bond and equity markets – the industrial sector continues to attract considerable interest, with fundamentals remaining strong. Capitalization rates continue to move downward, recognizing the value of secure cash flows produced by industrial investment properties. The development market has shown discipline over the past few years. Approximately 13 million square feet of new supply has been added annually since 2000 compared to an annual average of 22.5 million from 1997 to 2000. As a result, over-supply is not a concern in the market and, with prevailing low levels of vacancy, as market demand resumes with the strengthening pace of the overall economy, vacancy levels will decline and new construction will resume. As a result, achievable rental rates are positioned to rise, providing continued positive returns for investors in industrial real estate.

KEY PERFORMANCE INDICATORS

Summit measures the long-term success of its strategies through a number of key financial and operating performance indicators as described below:

FINANCIAL INDICATORS

1. Cash Distributions Summit is focused on increasing distributions to its Unitholders over the long-term. Since Summit's inception as a real estate investment trust in January 1996 distributions have grown from $1.30 per Unit to $1.53 per Unit in 2003, a total increase of 18% or an average annual increase of 2.25%. Management's long-term target is to grow cash distributions on average annually between 2% and 3%.

2. Recurring Distributable Income Management has established a target to grow recurring distributable income (not including gains or losses on property dispositions) over the long-term on average by between 2% and 3% annually. Since inception as a real estate investment trust in January 1996, recurring distributable income has grown from $1.30 per Unit to $1.62 per Unit in 2003, a total increase of 24.6% or an average annual increase of 3.1%.

3. Recurring Distributable Income Payout Ratio To ensure it retains sufficient cash to meet its capital improvement and leasing objectives, Summit will be increasing the amount of distributable income it retains, gradually reducing its payout ratio (defined as cash distributions per Unit divided by recurring distributable income) to a range between 85% and 90% while continuing to maintain its monthly cash distributions to Unitholders. Summit's Declaration of Trust stipulates that at least 80% of distributable income be paid to Unitholders.

4. Debt Leverage Ratio A conservative leverage ratio mitigates Unitholder risk. Summit measures its debt leverage ratio in accordance with its Declaration of Trust. Accordingly, leverage is calculated as mortgages payable and bank loans payable divided by total assets plus accumulated amortization of real property investments. The maximum permitted debt leverage ratio under the Declaration of Trust is 60%. While growing its portfolio, Summit intends to maintain its leverage ratio in the mid 50% range over the long-term.

5. Debt Portfolio Management By minimizing exposure to floating interest rates, Unitholder risk is reduced. Summit will strive to have no more than 15% of its total debt exposed to floating interest rates, unless strategic transactions necessitate higher levels for a short period. If so, such floating rate debt will typically be replaced with fixed term debt within twelve months. Debt will be appropriately hedged to manage interest costs and reduce Summit's exposure to fluctuating interest rates. In addition, a properly balanced mortgage portfolio reduces Unitholder risk. Summit will endeavor to have no more than 15% of its total mortgage portfolio expiring in any one year, and to have no more than 20% of its total debt with any one lender. It will strive to maintain the weighted average term to maturity of its mortgage portfolio at approximately five years. At January 31, 2004 the weighted average term to maturity of the mortgage portfolio was 4.9 years. Further, conservative debt ratios minimize Unitholder risk. Summit will strive to continue to maintain appropriately conservative debt service coverage and interest coverage ratios in the ranges outlined in the following table:

An eight-year history (since Summit's inception as a REIT in 1996) of these financial indicators is presented in the following table:

	2003	2002	2001	2000	1999	1998	1997	1996
Cash Distributions per Unit	**$ 1.53**	$ 1.53	$ 1.53	$ 1.53	$ 1.51	$ 1.50	$ 1.37	$ 1.30
Unit Price, December 31	**$ 18.16**	$ 15.13	$ 15.10	$ 11.50	$ 10.60	$ 12.25	$ 15.65	$ 15.90
Recurring Distributable Income per Unit	**$ 1.62**	$ 1.62	$ 1.54	$ 1.59	$ 1.59	$ 1.54	$ 1.40	$ 1.30
Recurring Distributable Income Payout Ratio	**94.4%**	94.6%	99.5%	96.4%	94.7%	88.9%	97.8%	100%
Debt Leverage Ratio	**51%**	52%	53%	54%	57%	47%	43%	21%
Floating Rate Debt (% of total)	**2%**	12%	9%	11%	23%	18%	2%	15%
Debt Service Coverage Ratio (DSCR)	**2.0**	1.9	1.8	1.8	1.9	2.3	2.7	2.6
Interest Coverage Ratio	**2.6**	2.5	2.3	2.1	2.5	2.8	3.3	3.2

OPERATING INDICATORS

1. Tenant Retention Summit places a very high value on tenant retention as the cost to retain a tenant is typically far lower than the cost to attract a new one. When a tenant is retained, lost rent due to unoccupied space is minimal, and leasing commissions and tenant inducements are typically one third of the cost compared to those required to put new tenants in place. In 2003, Summit's tenant retention ratio was 75%. Over the long-term, Summit will continue to strive for a minimum 75% tenant retention level.

2. Occupancy Consistently high occupancies also generate the highest possible cash flow over the long-term. Through its proactive property management and leasing activities, management will strive to maintain occupancy at levels higher than the average occupancy in each of the markets in which it operates. Economic full occupancy in a portfolio with over 3,000 tenants would be at a level less than 100%. Management would consider occupancy in the 96% to 97% range as approaching economic full occupancy as there will always be some downtime in the lease-up of space.

3. Average Rents Increasing average cash rents in line with local market conditions generates higher distributable income over the long-term. Due to the significant changes in the composition of Summit's portfolio over the past several years, same property NOI growth has not been as significant a performance indicator in the past as it will be in the future. Year over year net operating income for the 212 properties owned at December 31, 2003 and December 31, 2002 was flat. Summit will strive to increase the net operating income for its existing properties (same property NOI) by approximately 2% on an annual basis. In addition, Summit has been successful in including contractual increases in rent in new leases and renewals. Annual contractual increases in rent are beneficial to tenants in managing their costs, as significant rental increases at maturity are avoided and replaced with a predictable expenditure pattern. Summit will strive to negotiate annual increases in rent in the majority of new lease deals and renewals. The collection of rents is supported by Summit's preauthorized payment program, which provides administrative efficiencies to both Summit and its tenants. Summit will strive to have its tenants on a preauthorized payment program to enhance cash flow and reduce bad debts.

4. Leasing Costs As noted above, a high tenant retention ratio is strongly valued at Summit. Summit has developed an effective internal leasing group and has focused on innovative leasing programs to support tenant retention and occupancy objectives. In 2004, Summit has approximately 600 tenant leases maturing in 4.4 million square feet of space. The expected blended leasing cost per square foot for this mix of light industrial, office, retail and US properties will be approximately $1.45 for renewals and approximately $4.90 on new leases. Management expects to maintain its tenant retention ratio in the mid 70% range for 2004. In addition, management expects to incur additional leasing costs as it increases occupancy over the coming year.

5. Capital Expenditures Through its focused capital expenditure program, Summit will strive to maintain its properties so they remain functional and competitive within their respective geographic markets. Summit has targeted to spend $0.15 to $0.20 per square foot on capital expenditures to enhance properties in 2004.

A five-year history of several of these operating indicators is presented in the following table:

(dollar amounts in thousands)	**2003**	2002	2001	2000	1999
Occupancy, December 31	**93.2%**	94.7%	94.7%	94.1%	95.0%
Leasing Costs	**$ 14,416**	$ 13,473	$ 8,487	$ 8,312	$ 4,854
Capital Expenditures	**$ 4,890**	$ 2,324	$ 1,183	$ 1,284	$ 3,461

CAPABILITY TO DELIVER RESULTS

Summit is confident that it has the management team, asset base, access to investment opportunities, and access to capital to enable it to achieve its objectives over the long-term.

Management Team Summit's management team is highly experienced in all aspects of acquiring, financing, managing, leasing and operating real estate. The majority of senior management has been at Summit since its inception as an investment trust in January 1996, and most have spent the greater part of their careers in the real estate industry. With senior management located in its offices in Toronto, Ontario, and Halifax, Nova Scotia, as well as property management offices in Calgary, Edmonton, Winnipeg, London, Toronto, Ottawa, Montreal, and Halifax, Summit is strongly positioned with approximately 140 experienced employees situated in all of its key markets.

To ensure it can provide the highest level of service to its tenants at the most competitive costs, in April 2002 Summit established a wholly-owned subsidiary, Summit REIT Property Management Ltd. ("SRPM"), to manage its Canadian light industrial real estate portfolio. In addition to building strong relationships with its tenants, SRPM is committed to maximizing occupancy and average rents in Summit's property portfolio based on local market conditions. SRPM is also building strong ties with independent real estate brokers through a number of innovative programs aimed at maximizing property occupancies and increasing the awareness of Summit and its real estate portfolio.

Asset Base Summit's asset base has grown significantly as a result of management's strategy to generate maximum economies of scale and cost efficiencies through increased critical mass. Since its inception as a REIT in January 1996, the net book value of Summit's property portfolio has risen from $59 million to approximately $1.6 billion at December 31, 2003. Over the past few years, Summit has also successfully initiated a focused program to reposition its property portfolio primarily within the light industrial sector of the Canadian real estate industry. Through a series of acquisitions, and dispositions of non-core properties, approximately 89% of gross leaseable space is in its primary target sector.

Summit's growing portfolio is comprised of high quality properties well situated to serve tenants in each of its chosen geographic markets. Through its focused capital investment program, Summit ensures its properties are well maintained and fully functional. Through its acquisition and expansion programs, Summit also endeavors to cluster its properties together to capture maximum economies of scale.

Access to Investment Opportunities Summit will continue to build its presence in the Canadian light industrial sector through further acquisitions of properties. As Canada's largest publicly-traded industrial landlord, management is presented by both sellers and sellers' agents with a significant number of acquisition opportunities for evaluation. This deal flow is extensive, and management believes it is aware of the majority of properties available for acquisition in its chosen regional markets at any given time. Management has demonstrated its ability to find, close and integrate acquisitions of both single properties and large property portfolios, and will utilize this proven experience to continue to grow the size of its property portfolio.

Summit will also expand its market presence and portfolio size through focused expansion and development activities. Based on tenant demand, Summit is successfully expanding square footage in currently owned properties and building new space on currently owned vacant land. In addition, it is working with carefully selected partners to develop additional properties within its chosen regional markets.

Access to Capital Summit strives to ensure it has ready access to financing to grow and maintain its property portfolio while staying within the conservative guidelines established by its Declaration of Trust. It also endeavors to reduce its cost of capital by maintaining an appropriate trading multiple for its Units while ensuring it can access the debt markets at the lowest possible interest cost.

Summit has established operating and acquisition credit lines totaling approximately $241 million, of which $170 million was drawn down at December 31, 2003. As of February 25, 2004 approximately $60 million was drawn down. Its Distribution Reinvestment Plan (DRIP) also generates additional capital. In addition, through its proactive investor relations program, management ensures it is able to access the capital markets when it is appropriate to do so.

RESULTS OF OPERATIONS

In 2003, Summit continued its focus on growing its property portfolio and narrowing the focus to the light industrial sector of the Canadian real estate industry. It strengthened its presence in key markets of the Greater Toronto Area, Montreal, Calgary, Edmonton and Halifax through the purchase of light industrial properties totaling approximately four million square feet. Summit also disposed of 11 non-core retail and office properties in Edmonton, Calgary, Regina, Oakville, Halifax, Ottawa, St. Catharines, Charlotte (North Carolina), and Tallahassee (Florida), totaling approximately 1.2 million square feet. With the conclusion of these purchase and sale transactions, Summit essentially completed its program, begun in 2001, to refocus its portfolio primarily on the light industrial sector.

For the year ended December 31 *(dollar amounts in thousands, except per Unit amounts)*	**2003**	2002
Revenues	**$ 235,588**	$ 206,340
Net Operating Income	**149,562**	128,774
Interest Expense	**56,275**	48,466
General and Administrative Expenses	**3,464**	4,289
Net Loss on Sale of Real Property Investments	**(3,088)**	(1,391)
Reduction of Property to Net Recoverable Amount	**(5,000)**	–
Net Income	**63,736**	59,380
Basic Net Income per Unit	**1.23**	1.34
Diluted Net Income per Unit	**1.23**	1.33

NET INCOME

Gross property rental income and recoveries rose 14% to $235.6 million in 2003 from $206.3 million in 2002. The increase in revenues is primarily due to the acquisition of light industrial properties and portfolios over the last twelve months.

Due to the significant increase in revenues, combined with operating synergies resulting from the increased size of the portfolio, net operating income increased 16% to $149.6 million compared to $128.8 million in 2002. Property operating expenses increased 11% to $86.0 million compared to $77.6 million in 2002 due to the growth in the size of the portfolio. Year over year net operating income for the 212 properties owned at December 31, 2003 and December 31, 2002 was flat at approximately $80 million. Same property net operating income growth of 3.2% for Summit's Canadian industrial portfolio and 3.8% for the Canadian retail portfolio was offset by declines in same property income of 10.2% and 21.6% respectively for the Canadian office and US portfolio. The US portfolio was impacted by both the rise in the value of the Canadian dollar relative to the US dollar and substantially lower levels of occupancy.

Interest expense rose 16% to $56.3 million in 2003 from $48.5 million in 2002 due to the increase in mortgages and bank loans outstanding as a result of the acquisitions completed during the year. However, the weighted average mortgage interest rate declined to 6.7% at December 31, 2003 compared to 6.9% in 2002. This was the result of a focused program of renewing mortgages under more favorable terms, and repayment of a few higher rate mortgages with the equity proceeds in anticipation of refinancing them under the commercial mortgaged backed financing transaction (see "Liquidity and Capital Resources", page 19). As at January 31, 2004, Summit's weighted average mortgage interest rate was 6.5%.

General and administrative expenses were lower in 2003 compared to last year due to costs associated with a large portfolio acquisition in 2002. There were no major portfolio acquisitions in 2003.

The significant increase in revenue, combined with Summit's focus on property management and enhanced economies of scale, resulted in net income rising 7% to $63.7 million ($1.23 per Unit) for the year ended December 31, 2003 compared to $59.4 million ($1.34 per Unit) in 2002. Net income in 2003 included a net loss of $3.1 million ($0.06 per Unit) resulting from the sale of 11 non-core properties during the year. Also included in net income in 2003 was a reduction at year-end of real property investments to net recoverable amount for non-core assets including an enclosed mall in Ontario currently under contract for disposition and US property totaling $5.0 million ($0.10 per Unit). Net income in 2002 included net losses of $1.4 million ($0.03 per Unit) on the sale of non-core properties. Net income per Unit was lower in 2003 primarily as a result of the aforementioned capital losses and reduction to net recoverable amount for non-core assets.

NET OPERATING INCOME

Canadian Light Industrial Summit's Canadian light industrial portfolio produced gross property rental income and recoveries of $161.3 million in 2003 compared to $120.1 million in 2002, generating $103.2 million and $76.3 million in net operating income in 2003 and 2002 respectively. The increase in 2003 over 2002 is due to the growth in Summit's Canadian light industrial portfolio and enhanced operating synergies and economies of scale resulting from the increased size of the portfolio.

Canadian Retail and Office Summit's other properties produced gross property rental income and recoveries of $60.6 million in 2003 compared to $68.4 million in 2002, generating $37.3 million and $41.2 million in net operating income in 2003 and 2002 respectively. The decrease in 2003 compared to 2002 is due to the disposition of non-core retail and office properties in 2003 pursuant to Summit's strategy to narrow its focus primarily on the Canadian light industrial sector.

US Properties Gross property rental income and recoveries from Summit's US portfolio declined to $13.7 million in 2003 from $17.8 million in 2002. Net operating income from its US properties declined to $9.0 million in 2003 from $11.3 million in 2002. The reduction in revenues and net operating income in 2003 was due to the disposition of certain US properties in 2003, the impact of less favorable foreign exchange rates, and reduced average occupancy from the US portfolio during the year. In addition, Summit took a charge of $4.2 million Cdn. against income as a reduction to net recoverable amount from its US portfolio. Summit intends to dispose of the majority of its US assets over the next 24 months.

DISTRIBUTABLE INCOME AND CASH DISTRIBUTIONS

Distributable Income Recurring distributable income is a key performance indicator of Summit. Distributable income, defined as GAAP income adjusted by adding back the amortization of real property investment, is not defined within Canadian generally accepted accounting principles and has been calculated pursuant to the terms of the Declaration of Trust. As required by the Declaration of Trust, Summit regularly distributes to Unitholders an amount equal to at least 80% of the distributable income, adjusted at the Trustee's discretion for net capital gains (losses).

For the year ended December 31 *(dollar amounts in thousands, except per Unit amounts)*	**2003**	2002
Recurring Distributable Income[1]	**$ 84,305**	$ 70,792
Recurring Distributable Income[1] per Unit	**1.62**	1.62
Distributable Income	**76,217**	69,401
Distributable Income per Unit	**1.46**	1.59
(Release) Retention of Distributable Income	**(3,733)**	2,573
Retention of Recurring Distributable Income	**4,355**	3,964
Cash Distributions per Unit	**1.53**	1.53
Recurring Distributable Income Payout Ratio	**94.4%**	94.6%

[1] excludes capital gains/losses and the reduction of real property to net recoverable amount

Distributable income for 2003, including net losses on the disposition of non-core properties, rose to $76.2 million ($1.46 per Unit) compared to $69.4 million ($1.59 per Unit) in 2002. Recurring distributable income, not including capital gains and losses, rose 19% to $84.3 million ($1.62 per Unit) in 2003 from $70.8 million ($1.62 per Unit) in 2002. The increase in distributable income in 2003 is primarily due to the contribution from the properties acquired during the year. Distributable income in 2003 included a net loss of $3.1 million ($0.06 per Unit) resulting from the sale of non-core properties during the year and $5.0 million ($0.10 per Unit) due to a reduction in net recoverable amount of real property investments. Distributable income in 2002 included net losses of $1.4 million ($0.03 per Unit) on the sale of non-core properties.

Summit successfully completed a public offering in December 2003 totaling 4,727,800 Units for aggregate gross proceeds of approximately $82.5 million. The proceeds will be used primarily to finance acquisitions in 2004. Largely as a result of this equity offering, there was a 10% increase in the total number of Units outstanding at December 31, 2003 compared to 2002. As at December 31, 2003, 56,825,644 Units were issued and outstanding compared to 51,449,107 last year. Recurring distributable income remained stable at $1.62 per Unit in 2003 from $1.62 per Unit in 2002. Income growth in the light industrial and retail sectors was offset by weaker performance in the US portfolio.

Cash Distributions and Retention Cash distributions remained steady at $1.53 per Unit in both 2003 and 2002. Summit has a prudent and conservative objective of retaining an increasing amount of recurring distributable income to meet its capital improvement, and leasing objectives. It has established the goal of gradually reducing its payout ratio (cash distributions per Unit divided by recurring distributable income per Unit) to a range between 85% and 90%, a goal it intends to achieve through the process of increasing recurring distributable income by accretive acquisitions and enhanced property performance, while at the same time maintaining stable cash distributions to Unitholders. The payout ratio was 94.4% in 2003 compared to 94.6% in 2002.

For the year ended December 31, 2003 Summit retained approximately $4.4 million of recurring distributable income compared to approximately $4.0 million in 2002.

TAXATION

Taxation of Summit Summit is generally subject to tax under the Tax Act in respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Summit for tax purposes.

Pursuant to Summit's Declaration of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Summit to Unitholders of the Trust such that Summit will not be subject to income tax under Part I of the Tax Act.

Taxation of Unitholders A Unitholder is required to include, in computing income for tax purposes each year, the portion of the amount of net income and net taxable capital gains of Summit paid or payable to the Unitholder in the year. The Declaration of Trust generally requires Summit to claim the maximum amount of capital cost allowance available to it in computing its income for tax purposes. The amount distributed to Unitholders, since its inception as a REIT in 1996, has exceeded the income of Summit as calculated for income tax purposes. Distributions in excess of Summit's taxable income allocated to the Unitholder for the year will not be included in computing the taxable income of the Unitholder. However, the adjusted cost base of the Units held by the Unitholder will be reduced by the amount of distributions not included in income.

Upon the disposition or deemed disposition by a Unitholder of a Unit, a capital gain (or a capital loss) will generally be realized to the extent that the net proceeds of disposition of the Unit exceed (or are exceeded by) the adjusted cost base of the Unit. Currently, only 50% of a capital gain ("taxable capital gain") must be included in computing a Unitholders' income and 50% of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains.

The table below presents the portion of Summit's distributions allocated to income, capital gains and reduction in adjusted cost base ("ACB") for each of the past five taxation years.

	2003	2002	2001	2000	1999
Income	**15%**	35%	18%	18%	0%
Capital Gains	**12%**	2%	17%	0%	0%
Reduction in ACB	**73%**	63%	65%	82%	100%

Summit purchased Avista REIT in 1999 and after integrating these properties into Summit's portfolio, Avista subsequently accumulated tax loss carry-forwards of approximately $6 million. Beginning in 2003, Summit acquired 12 new properties directly through Avista REIT to generate taxable income in that entity and to utilize these losses. Approximately $400,000 of losses were utilized in 2003, thereby reducing taxable income of the Unitholders. It is expected these losses will be completely utilized for the benefit of Unitholders over the next five years.

Under United States tax law, Summit may be subject to tax on a portion of its United States source income. Summit intends to designate its directly held United States source income to Unitholders such that the Unitholders will be able to utilize any foreign tax credits paid by Summit.

REAL ESTATE PORTFOLIO

Investment Management

The net book value of real property investments increased to approximately $1.6 billion as at December 31, 2003, from $1.5 billion at the same time last year. The increase in the value of Summit's portfolio is primarily the result of acquisitions net of dispositions completed during the year.

As at December 31 *(dollar amounts in thousands)*	**2003**	2002
Real Property Investments	**$ 1,553,519**	$ 1,461,013
Gross Leaseable Space *(sq. ft. in thousands)*	**26,717**	23,853
Number of Properties	**384**	346
Composition (% of Annualized NOI):		
Light Industrial	**79%**	70%
Office	**3%**	6%
Retail	**18%**	24%

Dispositions

Summit sold 11 non-core properties in 2003 resulting in a net loss of $3.1 million ($0.06 per Unit). In addition to the net loss on disposal in 2003 was a reduction of real property investments to net recoverable amount totaling $5.0 million ($0.10 per Unit) for property in the US and Milton Mall, an enclosed mall under contract for disposition in Ontario. In 2002, nine non-core properties were sold with a capital loss of $1.4 million ($0.03 per Unit).

Details of the 11 properties sold in 2003 are shown in the following table. The dispositions were pursuant to a strategy to dispose of non-core properties that did not meet Summit's investment criteria, and to focus the portfolio on predominantly the light industrial sector of the Canadian real estate market.

DISPOSITIONS **Property**	**City**	**Prov/ State**	**Asset Type**	**Closing Date**	**GLA**	**Sale Price[1]**	**Cap Rate[2]**
Carolina Business Center	Charlotte	NC	Light Industrial	17-Jan	100,084	$ 6,147,000	8.3%
NCO Building	Regina	SK	Office	28-Feb	80,109	6,750,000	12.1%
Inglewood	Calgary	AB	Retail	30-Apr	44,298	7,450,000	9.5%
315 South Calhoun	Tallahassee	FL	Office	6-Jun	135,507	20,342,000	8.2%
Burnham Saskatoon	Saskatoon	SK	Light Industrial	15-Jul	144,296	2,325,000	13.4%
Maple Grove	GTA	ON	Retail	28-Aug	98,370	17,762,000	8.2%
Gloucester City Centre	Ottawa	ON	Retail	4-Sep	326,282	42,000,000	9.6%
Crowfoot Village	Calgary	AB	Retail	30-Sep	62,364	14,600,000	9.7%
Petro Fina	Calgary	AB	Office	7-Nov	150,673	14,000,000	8.7%
Herring Cove	Halifax	NS	Retail	3-Dec	28,029	2,000,000	9.5%
EMCO St. Catharines	St. Catharines	ON	Light Industrial	15-Dec	22,001	748,000	11.5%
Total/Weighted Average Cap Rate					**1,192,013**	**$ 134,124,000**	**9.2%**

[1] Sale price does not include closing costs.

[2] Cap rate is the in-place income at the time of disposition divided by the sale price.

Acquisitions

During 2003, Summit purchased 49 light industrial properties totaling approximately four million square feet of gross leaseable space, "GLA". Details of these acquisitions are shown in the following table:

Property	City	Prov/ State	Asset Type	Closing Date	GLA	Purchase Price[1]	Cap Rate[2]
Cherry Blossom Road	Cambridge	ON	Light Industrial	10-Feb	83,900	$ 6,060,000	9.9%
Lone Oak Court	GTA	ON	Light Industrial	10-Feb	72,197	6,000,000	9.2%
365 Passmore	Scarborough	ON	Light Industrial	14-Feb	68,810	5,675,000	10.5%
Burnside Portfolio (6 bldgs)	Halifax	NS	Light Industrial	25-Mar	241,682	13,000,000	10.6%
Lachine Portfolio (4 bldgs)	Montreal	PQ	Light Industrial	5-May	340,571	15,400,000	10.6%
Flint Portfolio (5 bldgs)	GTA	ON	Light Industrial	1-May	760,704	33,800,000	9.7%
1830 Strasburg	Kitchener	ON	Light Industrial	14-May	71,893	4,298,000	10.1%
Alberta Portfolio (10 bldgs)	Calgary & Edmonton	AB	Light Industrial	30-Jun	790,825	41,100,000	9.7%
Region Center	Tampa	FL	Light Industrial	9-Jul	291,564	19,111,000	8.8%
West Tech Portfolio (6 bldgs)	Montreal	PQ	Light Industrial	9-Jul	390,506	22,900,000	10.0%
125 Maple Grove Road	Cambridge	ON	Light Industrial	25-Jul	129,165	9,492,000	9.5%
Troop Avenue Land	Halifax	NS	Light Industrial	6-Oct	–	936,000	–
9021 Metropolitan	Montreal	PQ	Light Industrial	8-Oct	68,000	4,900,000	9.4%
Montoni Portfolio (3 bldgs)	Montreal	PQ	Light Industrial	15-Oct 22-Oct 5-Dec	254,500	14,500,000	9.8%
South Blair Street	Whitby	ON	Light Industrial	31-Oct	79,280	7,095,000	9.2%
First Gulf Boulevard	Brampton	ON	Light Industrial	31-Oct	118,599	8,663,000	8.7%
1255 – 32nd Street	Montreal	PQ	Light Industrial	3-Nov	30,400	2,100,000	9.5%
Franklin Portfolio (5 bldgs)	Calgary	AB	Light Industrial	12-Dec	194,740	10,250,000	9.6%
Total/Weighted Average Cap Rate					**3,987,336**	**$ 225,280,000**	**9.7%**

[1] Purchase price does not include closing costs.

[2] Cap rate is the expected income in the first year after acquisition divided by the acquisition price.

As a result of these purchases and dispositions in 2003, Summit has approximately 79% of its net operating income derived from the industrial class, 18% from retail and 3% from the office sector, based on annualized net operating income at December 31, 2003. On a square footage basis, 89% of the portfolio is light industrial, 9% retail and 2% office.

PROPERTY MANAGEMENT

Leasing Costs/Lease Rollover

As discussed earlier, Summit places a very high value on tenant retention. In 2003, Summit was able to retain 75% of tenants in space with leases that expired during the year. During 2003, Summit incurred $14.4 million in leasing costs compared to $13.5 million in 2002. The increase in 2003 is due primarily to the increased size of Summit's portfolio and a small number of new leasing deals in Summit's two enclosed malls and in one office property. In particular, Westland Market in Edmonton, Alberta replaced an anchor tenant in 2003 occupying 19,533 square feet on a 15-year lease term. The property had a total of 25,375 square feet of new leasing and 7,332 square feet of renewals completed at a cost of $975,000. Prior to selling Gloucester Centre, there was 19,000 square feet of leasing done at the property at a cost of $363,000. Further significant leasing costs were incurred due to the lease-up of the vacancy at 100 York Boulevard. The property incurred leasing costs of $888,000 on a total of 42,000 square feet of leasing.

LEASES EXPIRING	2004	2005	2006	2007	2008
Industrial					
GLA	3,999,148	4,157,587	3,194,305	2,712,559	2,257,064
In-Place Rent	$ 5.23	$ 5.38	$ 5.64	$ 5.28	$ 5.28
% of Total Industrial Portfolio	16.8%	17.4%	13.4%	11.4%	9.5%
Office					
GLA	59,300	134,450	18,677	41,990	19,698
In-Place Rent	$ 11.74	$ 13.71	$ 14.49	$ 11.35	$ 8.59
% of Total Office Portfolio	14.4%	32.6%	4.5%	10.2%	4.8%
Retail					
GLA	169,060	147,635	180,244	649,724	244,681
In-Place Rent	$ 14.01	$ 14.88	$ 11.17	$ 13.04	$ 14.73
% of Total Retail Portfolio	6.9%	6.0%	7.3%	26.4%	9.9%
Total Portfolio					
GLA	4,227,508	4,439,672	3,393,226	3,404,273	2,521,443
In-Place Rent	$ 5.68	$ 5.95	$ 5.98	$ 6.84	$ 6.22
% of Total Portfolio	15.8%	16.6%	12.7%	12.7%	9.4%

In 2003, Summit completed leases and lease renewals on more than 4.1 million square feet. Summit completed renewals on 2.6 million square feet or 75% of the space that expired during the year. The face rates for the new leases are higher than the expiring face rental rates by $0.44 per square foot or approximately 9%. In addition, Summit succeeded in building contractual rental increases into 70% of renewals and new leases, greatly enhancing its ability to grow cash flow every year and smooth out expenditures for its tenants. Furthermore, 66% of all leases completed in 2003 call for the tenants to pay their rent through a pre-authorized payment plan, which will help keep receivables at their present low levels and provides administrative efficiencies for both Summit and its tenants.

MARKET RENTS

It is management's opinion that market rents are above the face rents in the leases expiring over the next 5 years by approximately 5% to 10% due to in-place rents in a number of portfolios acquired by Summit over the past few years being significantly below current market rates.

OCCUPANCY

as at December 31 *(GLA in thousands, occupied as percentage)*	**2003**		2002	
	GLA	**Occupied**	GLA	Occupied
Calgary	**3,717**	**93.8**	2,890	93.2
Edmonton	**2,712**	**96.0**	2,567	95.3
Vancouver	**863**	**99.6**	863	96.8
Winnipeg/Regina	**948**	**73.6**	1,092	91.9
Greater Toronto Area (GTA)	**8,903**	**94.4**[1]	7,510	96.1
Ottawa	**769**	**89.2**	650	98.7
Other Ontario	**400**	**87.5**	443	87.5
Montreal	**3,032**	**94.3**	1,946	97.4
Halifax	**1,430**	**94.2**	1,189	95.1
Total Canadian Industrial	**22,774**	**93.5**	19,150	95.3
US Industrial	**1,069**	**83.6**	878	87.0
Retail	**2,461**	**95.3**	3,049	95.0
Office	**413**	**88.9**	776	86.5
Total Portfolio	**26,717**	**93.2**[1]	23,853	94.7

[1] *Summit acquired a portfolio in the GTA containing a vacant property comprising 180,165 square feet. While management believes this property has excellent potential, it is currently creating a negative impact on the occupancy for the GTA and the portfolio as a whole.*

Summit works diligently to maximize occupancy throughout its portfolio in accordance with local market conditions. Economic full occupancy in a portfolio with over 3,000 tenants would be at a level less than 100%. Management would consider occupancy in the 96% to 97% range as approaching economic full occupancy as there will always be some downtime in the lease-up of space. As at December 31, 2003, occupancy for its total portfolio declined to 93.2% compared to 94.7% at the end of 2002. In 2003, Summit acquired a portfolio of properties in the Greater Toronto Area that contained a vacant 180,165 square foot building. Summit purchased this property at a cost of approximately $40 per square foot and expects to lease the space during 2004. Once leased, significant value will be added to this property.

Canadian Light Industrial Occupancy in Summit's Canadian light industrial portfolio was 93.5% at the end of 2003 compared to 95.3% at the end of 2002. In March 2003, Summit REIT Property Management Ltd. launched an innovative frequent leasing program directed at the real estate brokerage community. The frequent leasing program is designed to heighten interest resulting in increased leasing activity in its Canadian property portfolio. Further information on this program can be found below under the caption 'Marketing and Branding'. Management intends to increase occupancy of the Canadian light industrial portfolio in 2004 through concentrated leasing efforts on a select number of properties.

Canadian Retail Retail occupancy was 95.3% in 2003 compared to 95.0% in 2002. The slight increase is due to the disposition of Gloucester, a large enclosed mall in Ottawa, and improved occupancy at the Hespeler Road, Milton Mall, and LaPrairie locations.

Canadian Office The occupancy of the office portfolio improved in 2003 as a result of the significant leasing efforts at 100 York Boulevard. The property lost a major tenant in 2002, and the majority of this space was re-leased in 2003.

US Properties The occupancy of the US industrial portfolio declined by 3.4% in 2003. The decline is due mainly to the loss of two major tenants at Broadway Centre who had occupied a total of 71,000 square feet. Changes in asset management and leasing in the US has resulted in a significant increase in the leasing activity. Management expects to see improvements in the US portfolio occupancy in 2004.

CAPITAL PROGRAM

Capital expenditures in 2003 were $4.9 million compared to $2.3 million in the prior year. The increase in capital expenditures is primarily due to the increased size of the portfolio. Standardized national contracts were negotiated in 2003 for roofs and HVAC.

MARKETING AND BRANDING

Summit's most significant marketing initiative in 2003 was the Frequent Leasing Program. The Frequent Leasing Program effectively introduced Summit to new brokers and encouraged multiple deals. At year-end there were 109 broker members in the program representing good geographic distribution. As a result of the success of the Frequent Leasing Program in 2003, Summit has re-launched it for 2004.

Of all of the Canadian light industrial leasing deals completed in 2003, 64% were done directly by SRPM. Of particular significance is that 89% of all of Summit's light industrial renewals in Canada were completed directly by SRPM.

In addition to the Frequent Leasing Program, Summit installed new leasing signs, and issued quarterly broker newsletters. Summit also sponsored at least one industry event in each major city in which it operates, and participated as a panelist at real estate forums across the country.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit's balance sheet as at December 31, 2003 compared to the prior year-end reflect the acquisition and disposition of properties in 2003, and related debt and equity financings completed during the year.

As at December 31 *(dollar amounts in thousands)*	**2003**	2002
Real Property Investments	**$1,553,519**	$ 1,461,013
Total Assets	**1,621,109**	1,503,749
Mortgages Payable	**681,978**	735,529
Bank Loans	**170,285**	65,053
Other Liabilities	**45,611**	43,989
Total Liabilities	**897,874**	844,571
Unitholders' Equity	**723,235**	659,178
Total Liabilities and Equity	**$1,621,109**	$ 1,503,749

Mortgages Payable Mortgages payable decreased to $682.0 million in 2003 from $735.5 million in 2002. The decrease is due primarily to the discharge of $57.9 million in mortgage debt as a result of property disposal and refinancing activities, and a further $16.5 million in principal repayments during the year. In addition, mortgages of $23.1 million were taken over by purchasers on the sale of non-core properties. During 2003, Summit also assumed mortgages of $22.0 million on $40.2 million of newly acquired properties. In addition, ten properties were financed for a total of $74.0 million generating $35.7 million in new funds. This new funding was used to finance acquisitions and support Summit's working capital requirements. Furthermore, these financings allowed Summit to smooth out its debt maturities and produced a total mortgage portfolio weighted average term to maturity of approximately 4.4 years, with no more than 15.6% of Summit's mortgages maturing in any one year. The weighted average interest rate of 6.72% is also relatively stable across future maturities with not more than a 1.03% deviation over the next ten years.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates.

Principal Repayments	Mortgage Values ($,000)	Weighted Average Interest Rate
2004	$ 76,203	7.02%
2005	109,540	6.96%
2006	120,338	6.55%
2007	84,590	6.35%
2008	85,814	6.00%
2009	77,645	6.86%
2010	20,476	7.75%
2011	32,747	7.42%
2012	64,022	6.76%
2013	6,339	6.73%
2017	4,264	8.15%
Total	$ 681,978	6.72%

Bank Loans Summit had access to various lines of credit totaling $240.9 million at December 31, 2003 compared to $108.1 million the previous year. In 2003, Summit increased its acquisition credit lines to $190.9 million from $68.1 million and increased its working capital line of credit from $40 million to $50 million. At year-end, the balance drawn against these credit lines amounted to $170.3 million.

Summit's exposure to floating rate debt as a percentage of total debt was 1.5% at December 31, 2003 compared to 12.1% the same time last year. The reduction in exposure to floating rate debt is due to the use of hedging instruments in 2003. As at December 31, 2003, Summit had entered into interest rate swaps for notional amounts totaling approximately $125 million and bond forward agreements for notional amounts totaling approximately $47 million. With respect to the interest rate swaps, Summit exchanged its floating interest rates for fixed interest rates on a notional amount of $77 million for a seven year term and a notional amount of $48 million for a ten year term. With respect to the bond forward agreements, Summit fixed the rate of interest it would pay on a Government of Canada bond having a term to maturity of approximately 7 years.

These hedging transactions were entered into to reduce Summit's exposure to changes in interest rates that could occur before Summit completed its long-term mortgage financing through the issuance of Commercial Mortgaged Backed Securities. Upon completion of the long-term mortgage financing in January 2004, Summit unwound all the interest rate hedge transactions.

Leverage The maximum debt leverage permitted by Summit's Declaration of Trust is 60%. However, it is Summit's goal to operate in the mid-50% range over the long-term. At December 31, 2003 Summit's debt leverage ratio was 51.4% compared to 52.2% at the end of 2002. If Summit were to increase its borrowing to the 60% maximum allowed under its Declaration of Trust in pursuit of a strategic opportunity, it would have the capacity to purchase approximately $358 million in new properties as at December 31, 2003.

Unitholders' Equity Unitholders' equity increased to $723.2 million in 2003 from $659.2 million in 2002. The majority of this increase is due to the successful completion of a public offering in December 2003 that resulted in the issuance of 4.7 million Units for total gross proceeds of approximately $82.5 million. In addition, Summit issued 431,860 Units for proceeds of $6.4 million under its Distribution Reinvestment Plan. As at December 31, 2003 approximately 56.8 million Units were issued and outstanding compared to 51.4 million Units as at December 31, 2002.

The increase in the value of the Canadian dollar since December 2002 against the US dollar on US held investments modestly reduced Unitholders' equity in 2003. As of December 31, 2003, Summit had unrealized losses on foreign currency exchange of $5.1 million compared to an unrealized gain at December 31, 2002 of $2.7 million. Summit mitigates currency risk by placing up to 75% US debt on its US assets, thereby reducing exposure to currency risk to only the equity portion. At December 31, 2003, Summit had a net investment of $24.7 million US (December 31, 2002 - $26.0 million US) in US properties.

Distribution Reinvestment Plan Under the Distribution Reinvestment Plan (DRIP), Summit's Unitholders can have their cash distributions automatically reinvested in additional Summit Units. The cash distributions are reinvested at a price per Unit calculated based on the weighted average price of the Units on the Toronto Stock Exchange for the five days prior to the payable date of the distribution. To encourage participation and reward Summit's Unitholders, investors registered in the DRIP can now receive additional Units equal to 5% of the distributions reinvested.

As there are no fees, brokerage charges or commissions payable, Unitholders can easily and cost effectively increase their ownership and participation in Summit through this Plan while providing Summit with a cost effective source of equity to fund future growth. Participation in Summit's DRIP increased to approximately 10% in 2003.

CASH FLOW

Years ended December 31 *(dollar amounts in thousands)*	**2003**	2002
Funds From Operations	**$ 90,041**	$ 75,638
Cash Flow From Operating Activities	**70,831**	69,383
Cash Flow From Financing Activities	**71,666**	278,572
Cash Flow (To) Investing Activities	**(141,053)**	(349,400)

Summit generated cash from operating activities of $70.8 million in 2003 compared to $69.4 million last year. Funds from operations increased from $75.6 million to $90.0 million due to the significant increase in net income after the non-cash impact of the reduction of real property to net recoverable amount of $5 million is removed.

Cash from financing activities decreased to $71.7 million in 2003 compared to $278.6 million in the prior year due to lower borrowing requirements as a result of fewer acquisitions. In 2003, one equity offering was completed generating gross proceeds of $82.5 million compared to two offerings in 2002 generating $236.1 million. Furthermore in 2002, the issuance of commercial mortgage backed securities significantly contributed to proceeds from new mortgage financing compared to 2003. In 2003, aggregate cash distributions also increased due to the higher number of Units outstanding during the year compared to 2002.

Cash outflow due to investing activities decreased to $141.1 million from $349.4 million in 2002. During 2003, Summit spent $211.4 million on property acquisitions, net of mortgages assumed, compared to $370.7 million last year. The disposition of real property investments in 2003 generated net cash proceeds of $94.5 million, net of mortgages assumed, up from $48.0 million last year. Capital expenditures in 2003 were $4.9 million compared to $2.3 million in the prior year. The increase in capital expenditures is primarily due to the increased size of the portfolio. Summit anticipates spending approximately $4 million to $5 million in 2004 on its capital improvement program.

Summit continues to expand its existing properties based primarily on demand by existing tenants for additional space and where Summit can achieve an attractive return on capital. For the year ended December 31, 2003, Summit invested $15.8 million in the development of new space at existing properties compared to $22.7 million last year. Summit anticipates spending approximately $50 million on property expansion and joint venture development activities in 2004.

EVENTS SUBSEQUENT TO DECEMBER 31, 2003

Mortgage Repayments On January 14, 2004, Summit repaid, without penalty, a mortgage of $10.3 million on properties held in Alberta. These properties were subsequently refinanced as part of the issue of commercial mortgage pass-through certificates. On January 16, 2004, Summit repaid a mortgage of $5.1 million US ($6.6 million Cdn.) on University Park, in Florida to take advantage of a lower cost of financing. The interest rate on this mortgage was 9.02%. A penalty of 1% of the outstanding balance was paid to retire the debt in advance of its May 1, 2005 maturity date.

Property Acquisitions On January 15, 2004, Summit purchased a portfolio of five light industrial buildings located in Vaughan, Ontario. The portfolio consists of 349,000 square feet of gross leaseable space. The purchase price for the five properties was approximately $18.5 million and was funded through an assumption of mortgage and Summit's acquisition line of credit.

Long-Term Mortgage Financing On January 19, 2004, Summit raised $172.6 million in mortgage financing through Commercial Mortgage Pass-Through Certificates offered by Falcon Trust, a trust established and administered through Scotia Capital for the benefit of Summit. The net proceeds were used to pay down Summit's acquisition facility and other lines of credit. The debt was secured by forty-five industrial properties located in major urban centers across Canada. The weighted average loan to value of the real estate financed is 66%. Approximately 72% of the mortgages have a seven-year term and are interest only. The balance consists of ten-year mortgages that will amortize over 25 years. The effective interest rates fixed for the duration on the 7 and 10 year mortgages are 5.40% and 5.78% respectively, which is approximately the equivalent term Government of Canada bond yield plus 1.19%. The interest rate swaps and bond forward agreements were settled on January 12, 2004 conterminously with the pricing of the financing transaction. As a result, the weighted average cost of this financing to Summit will be 5.78%.

Property Management Effective February 15, 2004 property management activities for Summit's entire Canadian office and retail portfolio were transferred to its wholly-owned subsidiary, Summit REIT Property Management Ltd. Since its establishment in April 2002, Summit REIT Property Management Ltd. has been providing management services to Summit REIT's Canadian light industrial portfolio. Previously, the management of its remaining 2.5 million square feet of retail and office space in Canada had been conducted by an independent third party. Summit estimates that the change will result in annual savings of approximately $1 million.

OUTLOOK

Summit remains focused on achieving its long-term objectives of delivering strong and sustainable monthly cash distributions to its Unitholders while employing its effective property management strategies to grow the value of its portfolio.

Investment Management Summit will continue to expand its presence in the highly stable light industrial sector of the Canadian real estate industry to achieve its goal of becoming the dominant industrial landlord in the markets in which it chooses to operate. To enhance the size and quality of its portfolio, Summit will continue to seek out and evaluate acquisition opportunities in the light industrial sector that meet its strict criteria. To utilize the proceeds of the December 2003 equity offering, Summit plans to acquire approximately $200 million in light industrial real estate in 2004 provided suitable properties are available. However, competition for industrial properties increased significantly in 2003, resulting in valuations in certain markets generating capitalization rates and costs per square foot that did not meet Summit's criteria. Summit will carefully evaluate acquisition opportunities, but will not complete a transaction unless it is accretive to its Unitholders and meets Summit's strict real estate fundamental criteria including an assessment of replacement cost. Management remains confident it will be able to continue to expand the size of its portfolio through accretive acquisitions over the long-term.

Development and expansion opportunities based on tenant demand will also increase leaseable space while generating strong returns on investment. Summit plans on spending approximately $50 million in developments and expansions in 2004. Where appropriate, potential joint venture arrangements may be undertaken to increase development opportunities and to reduce risk.

Summit's remaining retail and office properties continue to generate stable returns for Unitholders. Property management related to the retail and office properties was transferred to Summit REIT Property Management Ltd. effective February 15, 2004, and is expected to generate annualized savings of approximately $1 million, and enhance cash flow from these properties.

At the end of 2003, Summit terminated its third party asset management contract in the United States and took direct control of the asset management function. Summit's initial focus will be on improving the occupancy at each of the US properties through concentrated leasing efforts. Once a stabilized occupancy level is achieved, Summit will begin the process of disposing of the US properties through an extensive marketing program. Management intends to accretively reinvest the net proceeds from those dispositions in Canadian light industrial properties. Leasing momentum has been strong subsequent to year-end with several deals under negotiation for approximately 140,000 square feet of space. Management expects to complete a number of these leasing transactions by the end of the first quarter of 2004.

Operating Performance Management believes the outlook in 2004 is for the light industrial market to remain very stable. Management expects market occupancy and rental rates to be stable throughout 2004. Summit's growing base of 3,000 tenants encompasses a wide diversity of businesses and economic activities, reducing the exposure of a downturn in any single economic sector. The rise in the Canadian dollar had, and will continue to have, little impact on Summit's tenants occupying its Canadian light industrial real estate as most are generally not manufacturers or exporters of their products and services. Activities such as warehousing and storage, light assembly and shipping, call centers and technical support, professional services, and a number of other similar uses are carried out in Summit's properties, and are less susceptible to changes in foreign exchange rates. Overall Summit's diversified tenant base will mitigate the negative consequences of fluctuations in the Canadian dollar.

With the repositioning of its Canadian portfolio essentially complete in 2003, Summit is also directing its focus on enhancing the cash flow and returns from its existing property portfolio. Through its property management subsidiary, Summit intends to increase occupancy in the light industrial sector and maintain existing retail and office occupancies. This will be achieved while providing tenants with "best-in-class" services to ensure their needs are met and building SRPM's reputation as one of the leading property manager and leasing groups in the Canadian real estate industry. Leasing costs are expected to be higher than in prior years as leasing activity increases to improve occupancy levels. Summit will continue to build in rent escalations in lease renewals and new lease deals.

As a result of the above initiatives, management expects increases in recurring distributable income and operating cash flows.

Managing Debt Leverage is expected to be in the mid - 50% range. Conservative debt service coverage ratios are expected to be maintained during the year. Summit plans to continue to utilize hedging instruments to reduce exposure to floating rate debt. As appropriate, Summit will refinance shorter term debt over the course of the year.

CHANGES IN ACCOUNTING POLICIES IN 2003

The CICA introduced several changes in accounting requirements in 2003 including new guidelines on the disclosure of guarantees, impairment of long-lived assets, disposal of long-lived assets and discontinued operations, and the fair value of intangibles acquired in an acquisition or business combination. None of these changes in accounting requirements had a material impact on Summit's financial position in 2003.

FUTURE ACCOUNTING CHANGES

There are significant pending changes in accounting policies effective in 2004, and in subsequent years. Many of the recent accounting changes are in response to CICA Handbook Section 1100. The significant changes in accounting policies are briefly described as follows:

Change in Sinking Fund Method of Amortization Effective in January 2004, the amortization method for buildings will change from the 5% sinking fund basis to straight-line over forty years. In 2004, the expected impact of the change in policy is an increase in amortization expense of approximately $30 million. While the change in accounting policy will significantly reduce net income in 2004, there will be no impact on Summit's cash flows and distributable income as amortization of real property investments is added back for the purposes of calculating distributable income.

Straight-Lining of Rents Effective in January 2004, base rental income from leases with contractual rent increases will be recognized on a straight-line basis. The difference between the rental income recognized and the amounts contractually due under the lease agreements will be charged to a deferred rent receivable. This initially will have the impact of increasing Summit's net income and distributable income by approximately $3.5 million or $0.06 per Unit in 2004. During the year 2003, Summit was successful in obtaining contractual rental increases in 70% of renewals and new leases. The straight-lining of rents will have the effect of flattening future income streams but cash flows will not be affected.

Fair Value of Intangible Assets on Acquisition Under the new accounting requirements, Summit will be required to evaluate and assign a valuation to each type of tangible and intangible asset inherent in a real estate acquisition. Allocation of the purchase price is currently between land and building. Intangible assets include the value of customer relationships and in-place leases (origination value, market rents and tenant inducements). Intangible assets will be amortized over shorter periods and will negatively impact both net income and distributable income. The impact of above and below market rents will have the effect of either reducing or increasing net income and distributable income. The impact on 2004 financial results will depend on the properties acquired, and is unknown at this time.

RISKS AND UNCERTAINTIES

Portfolio Risk Summit has created a portfolio diversified by geography and industry. Management recognizes that markets can fluctuate independently. As a result, Summit targets the purchase and sale of its properties at the optimum time while maintaining stable and growing income from the balance of its portfolio.

Property Management Commercial real estate requires close, hands-on management to reduce the risk associated with market changes. For this reason, Summit's senior management team is in constant contact with the property managers and leasing agents to create and implement short-term and long-term operating plans for each property. In April 2002, Summit created a subsidiary company, Summit REIT Property Management Ltd., to manage Summit's Canadian light industrial property portfolio. In the United States, Summit has entered into arrangements with property management firms to manage its US portfolio.

Short-Term Interest Rate Risk Summit may be exposed to movements in short-term interest rates. This risk is mitigated as Summit limits the amount of floating rate debt to less than 15% of total debt. At December 31, 2003, only 1.5% of Summit's total debt was exposed to floating interest rates due to hedging activities. In addition, long-term interest rate risk is minimized as Summit structures its financing so as to stagger the maturity of its debt over future years.

Credit Risk Summit is exposed to credit risk from its tenants. Summit reduces this risk by ensuring most of its revenues come from a well diversified tenant base with no single tenant representing a material percentage of the total revenues. The diversification of Summit's portfolio by region and business of its tenants further reduces the credit risk. The strong relationship that exists between Summit's property managers and tenants, as well as maintaining constant contact with its tenant base, contributes to the reduction of credit risk.

Foreign Exchange Risk Summit is exposed to currency risk as it relates to its investment in real properties in the United States. Summit mitigates this risk by placing a maximum of 75% United States debt on its US assets, thereby reducing its exposure to currency risk to only the equity portion. At December 31, 2003, Summit had a net investment of $24.7 million (US) in United States properties.

Construction Risk With respect to its involvement in property expansions and joint venture developments, Summit is exposed to risks inherent in construction activities such as cost overruns and unanticipated delays in leasing. To mitigate such risks, Summit pre-leases a substantial portion of the space being built, and where possible, obtains cost guarantees for construction. Further, Summit may enter into joint ventures where the joint venture partner would take on a significant portion of the risk.

Environmental Risk Summit was among the first Canadian REITs to develop and implement a comprehensive environmental management plan. In addition to completing environmental investigations prior to the acquisition of a property, Summit has implemented a comprehensive, real-time environmental risk management program to identify areas of concern. Thorough annual environmental audits are conducted on properties as warranted. Finally, Summit has insurance to protect against losses caused by environmental issues.

Management's Report & Auditors' Report

MANAGEMENT'S REPORT

To the Unitholders of Summit Real Estate Investment Trust

The accompanying consolidated financial statements of Summit Real Estate Investment Trust and the information included in this Annual Report have been prepared by management, which is responsible for their consistency, integrity and objectivity. Management is also responsible for ensuring that the consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in Canada. To fulfill these responsibilities, management maintains appropriate systems of internal control, policies and procedures to ensure its reporting practices and accounting and administrative procedures are of high quality.

Deloitte & Touche LLP, the independent auditors appointed by the Unitholders, is responsible for auditing the consolidated financial statements in accordance with generally accepted auditing standards in Canada, to enable the expression of their opinion on the consolidated financial statements to the Unitholders. Their report, as auditors, is set forth herein.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Trustees carries out this responsibility through its Audit Committee, which meets regularly with management and the auditors. The Audit Committee is composed of members who are independent of management. The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. The auditors have direct and full access to the Audit Committee and Board of Trustees.

Louis Maroun
President and Chief Executive Officer

Allan Olson
Chairman, Board of Trustees

Toronto, Ontario
February 2, 2004

AUDITORS' REPORT

To the Unitholders of Summit Real Estate Investment Trust

We have audited the balance sheets of Summit Real Estate Investment Trust as at December 31, 2003 and 2002 and the consolidated statements fo income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statments. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants

Halifax, Nova Scotia
February 2, 2004

Consolidated Balance Sheets

as at December 31 *(dollar amounts in thousands)*	**2003**	2002
ASSETS		
Real property investments *(Note 3)*	**$ 1,553,519**	$ 1,461,013
Cash and cash equivalents	**1,970**	526
Rents receivable	**4,937**	4,075
Other receivables *(Note 4)*	**19,005**	5,395
Prepaid expenses	**5,698**	3,524
Other assets *(Note 5)*	**35,980**	29,216
	$ 1,621,109	$ 1,503,749
LIABILITIES		
Mortgages payable *(Note 6)*	**$ 681,978**	$ 735,529
Bank loans *(Note 7)*	**170,285**	65,053
Accounts payable and accrued liabilities	**35,362**	35,838
Distributions in the normal course of payment	**6,798**	6,250
Deferred revenue	**3,451**	1,901
	897,874	844,571
EQUITY		
Unitholders' equity *(Note 9)*	**723,235**	659,178
	$ 1,621,109	$ 1,503,749

See accompanying notes

APPROVED BY THE BOARD OF TRUSTEES

Louis Maroun

Allan Olson

Consolidated Statements of Income

year ended December 31 *(dollar amounts in thousands, except per Unit amounts)*	**2003**	2002
INCOME		
Gross property rental income and recoveries	**$ 235,588**	$ 206,340
Property operating expenses	**86,026**	77,566
Net Operating Income	**149,562**	128,774
Interest expense	**56,275**	48,466
Amortization of real property investments	**12,379**	10,177
Amortization of deferred leasing costs	**5,838**	4,690
	74,492	63,333
Income from Real Properties	**75,070**	65,441
Interest income	**320**	111
General and administrative expenses	**(3,464)**	(4,289)
INCOME BEFORE THE UNDERNOTED	**71,926**	61,263
Imputed interest expense *(Note 13)*	**(102)**	(492)
Loss on sale of real property investments	**(3,088)**	(1,391)
Reduction of real property investments to net recoverable amount *(Note 18)*	**(5,000)**	–
NET INCOME *(Note 11)*	**$ 63,736**	$ 59,380
Basic net income per Unit *(Note 9)*	**$ 1.225**	$ 1.341
Diluted net income per Unit *(Note 9)*	**1.225**	1.329

Consolidated Statements of Unitholders' Equity

year ended December 31 *(dollar amounts in thousands)*	**2003**	2002
BALANCE, BEGINNING OF THE YEAR	**$ 656,448**	$ 424,998
Net income	**63,736**	59,380
Units issued from treasury	**82,500**	236,111
Units released (acquired) to fund future restricted unit obligations	**1,290**	(2,812)
Equity offering costs	**(3,483)**	(10,281)
Units issued to retire convertible debentures	**–**	12,498
Exercise of Unit options	**1,388**	296
Distributions *(Note 11)*	**(79,950)**	(66,828)
Distribution reinvestment plan	**6,429**	3,734
Interest on convertible debentures *(Note 8)*	**–**	(648)
BALANCE, END OF THE YEAR	**728,358**	656,448
Cumulative translation adjustment	**(5,123)**	2,730
Unitholders' equity	**$ 723,235**	$ 659,178

Consolidated Statements of Cash Flows

year ended December 31 *(dollar amounts in thousands)*	**2003**	2002
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income	**$ 63,736**	$ 59,380
Items not affecting cash:		
Amortization of real property investments	**12,379**	10,177
Amortization of deferred leasing costs	**5,838**	4,690
Loss on sale of real property investments	**3,088**	1,391
Reduction in real property investments to net recoverable amount *(Note 18)*	**5,000**	–
Funds from operations	**90,041**	75,638
Deferred leasing costs	**(14,416)**	(13,473)
Amortization of other deferred costs	**281**	159
Amortization of deferred financing costs	**939**	668
Imputed interest expense	**102**	492
Changes in non-cash operating items	**(6,116)**	5,899
Cash flow from operating activities	**70,831**	69,383
FINANCING		
Net proceeds of new mortgage financing	**35,734**	162,941
Mortgage principal repayments	**(16,466)**	(15,150)
Discharge of mortgages	**(57,918)**	(58,021)
Bank loans advanced	**102,970**	45,881
Distributions, net of distributions reinvested	**(72,972)**	(61,209)
Interest on convertible debentures	**–**	(648)
Proceeds of Units issued from treasury	**82,500**	236,111
Units released (acquired) to fund future restricted unit obligations	**1,290**	(2,812)
Proceeds of Unit options exercised	**1,388**	296
Repayment of convertible debentures	**–**	(14,858)
Equity offering costs	**(3,483)**	(10,281)
Deferred financing costs	**(1,377)**	(3,678)
Cash flow from financing activities	**71,666**	278,572
INVESTING		
Acquisition of real property investments	**(211,430)**	(370,723)
Development expenditures	**(15,847)**	(22,739)
Capital expenditures	**(4,890)**	(2,324)
Net proceeds from disposition of real property investments	**94,484**	48,028
Other deferred costs	**(3,370)**	(1,642)
Cash flow (to) investing activities	**(141,053)**	(349,400)
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**1,444**	(1,445)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**526**	1,971
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 1,970**	$ 526

Consolidated Statements of Cash Flows (continued)

year ended December 31 *(dollar amounts in thousands)*	**2003**	2002
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
ACQUISITION OF REAL PROPERTY INVESTMENTS	**$ 233,459**	$ 486,084
Funded through:		
Issuance of Units	**–**	172,898
Assumption of mortgages	**22,029**	115,361
Bank loans	**211,430**	197,825
	$ 233,459	$ 486,084
DISPOSITION OF REAL PROPERTY INVESTMENTS	**$ 134,124**	75,855
Mortgages assumed by purchaser	**(23,094)**	(26,151)
Vendor take-back mortgages	**(9,098)**	–
Closing and other costs	**(7,448)**	(1,676)
Net proceeds from disposition of real property investments	**$ 94,484**	$ 48,028
Interest paid	**$ 55,988**	$ 48,146

Notes to the Consolidated Financial Statements

1. THE TRUST

Summit Real Estate Investment Trust (the "Trust") is an unincorporated, closed-end real estate investment trust created under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

a) Principles of Consolidation The consolidated financial statements include the accounts of the Trust and its wholly-owned entities including Summit REIT Property Management Ltd. which was established to manage the Trust's Canadian industrial/flex space portfolio; Summit REIT Limited Partnership which was established to enter into securitized mortgages; Avista REIT; and nominee corporations established as bare trusts to hold real property.

b) Real Property Investments Real property investments are stated at the lower of cost less accumulated amortization or net recoverable amount. Net recoverable amount of real property investments is the undiscounted estimated future net cash flow from ongoing use together with the residual value of the properties.

Acquisition costs are capitalized as part of the cost of real property investments.

Amortization is recorded on buildings on a 5% forty-year sinking fund basis. Under this method, amortization is charged to income at an amount which increases annually, consisting of a fixed annual sum, together with a factor compounded at the rate of 5% per annum so as to fully amortize the buildings over a forty-year period.

Properties under development/expansion are stated at the lower of cost and net recoverable amount. Cost includes acquisition costs, initial leasing and financing costs, other direct costs, interest on both specific and general debt, operating revenues and expenses, property taxes, and the applicable portion of general and administrative expenses.

Capitalization of costs to properties under development/expansion continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level within a predetermined time period.

c) Other Assets Leasing costs, including tenant inducements and leasing commissions, are deferred and amortized on a straight-line basis over the term of the related leases.

Financing costs are deferred and amortized over the term of the related debt.

d) Other Receivables The total amount of cash to be received from leases which provide a free rent concession is accounted for on a straight-line basis over the initial term of the lease. Rental revenue recorded in the Consolidated Statements of Income during free rent periods represents future cash receipts and is reflected in the Consolidated Balance Sheets in other receivables.

e) Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand and balances with financial institutions and may include short-term investments with maturities of three months or less.

f) Foreign Currency Translation The Trust has self-sustaining real property investments in the United States, which are financially and operationally independent. Assets and liabilities of these investments are translated at the exchange rate in effect on each balance sheet date. Revenue and expenses from real property investments held in the United States are translated at the average exchange rate for the period. The resulting unrealized gains or losses are included in a separate component of Unitholders' Equity, described as Cumulative Translation Adjustment. The change in the amount each year reflects the relative strength of the Canadian dollar against the US dollar and the change in the net investment in the United States.

g) Interest Rate Swaps and Bond Forward Agreements The Trust periodically enters into interest rate swap and bond forward agreements to mitigate the impact of changes in interest rates. Net receipts or payments under the Trust's swap agreements are accrued as adjustments to interest expense. The net receipts or payments upon unwinding the interest rate swaps and bond forward agreements when long-term financing is completed are amortized over the life of the long-term financing.

h) Unit Option Plan The Trust has a Unit Option Plan, which is described in Note 9. Currently, there are no options outstanding and it is not the intention of the Trust to issue further grants under the Unit Option Plan. No compensation expense is recognized in respect of this plan when Units or Unit options are exercised by employees. Any consideration paid by employees on exercise of Unit options is credited to Unitholders' Equity.

i) Restricted Unit Plans The Trust has Restricted Unit Plans which are described in Note 10. The Trust uses the fair value based method of accounting for its Restricted Unit stock-based compensation plans whereby compensation expense on the issue of Restricted Units is recognized over the vesting period.

The Trust has established a Restricted Unit entity for the purpose of buying and holding Units of the Trust, which are segregated and will be used to settle stock awards at future dates.

j) Gross Property Rental Income and Recoveries Gross property rental income and recoveries include rents earned from tenants under lease agreements, and include property tax and operating cost recoveries.

k) Use of Estimates The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the period then ended. Actual results could differ from those estimates.

l) Discontinued Operations On May 1, 2003, the Trust adopted the requirements of the new CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations. CICA 3475 requires the Trust to reclassify assets initiated as held for sale subsequent to May 1, 2003 and to separate any net income/loss and gain/loss on disposal as discontinued operations. As the application of the CICA 3475 did not have a material impact on Summit's consolidated results, such reclassification under discontinued operations was not required at December 31, 2003.

3. REAL PROPERTY INVESTMENTS

(dollar amounts in thousands)	**2003**	2002
Real property investments, at cost		
Land	**$ 279,472**	$ 253,574
Buildings	**1,312,466**	1,238,937
	1,591,938	1,492,511
Less: Accumulated amortization	**(38,419)**	(31,498)
	$ 1,553,519	$ 1,461,013

Interest expense of $971,208 and general and administrative expenses of $386,563 have been capitalized for properties under development/expansion for the year ended December 31, 2003 (year ended December 31, 2002 - $842,599 and $291,154 respectively).

4. OTHER RECEIVABLES

(dollar amounts in thousands)	2003	2002
Vendor take-back mortgages	$ 8,911	$ –
Mortgage receivable	2,700	–
Free rent	3,138	2,163
Other	4,256	3,232
	$ 19,005	$ 5,395

As part of the proceeds from the sale of Gloucester City Centre, an enclosed retail mall located in Ottawa, Ontario, the Trust received a non-interest bearing vendor take-back mortgage of $3.9 million, discounted from the face value of $4.1 million, to be repaid over the next two years.

The Trust received a vendor take-back mortgage of $5.0 million to be repaid over the next three years as part of the proceeds from the sale of Petro Fina, an office building located in Calgary, Alberta. The mortgage bears interest of 9.5%.

Mortgage receivable represents amounts advanced under a mezzanine debt program and bears interest at a rate of 10% per annum. The Trust has an obligation to purchase an interest in the property which will occur upon substantial completion and lease up of the property.

5. OTHER ASSETS

(dollar amounts in thousands, net of amortization)	2003	2002
Deferred leasing costs	$ 24,942	$ 20,990
Deferred financing costs	5,403	5,318
Other deferred costs	5,635	2,908
	$ 35,980	$ 29,216

6. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average rate of 6.72% at December 31, 2003 (December 31, 2002 – 6.90%). The debt is secured by first and/or second charges on the Trust's interests in real property investments.

Included in mortgages payable are US $48,081,685 (Cdn. $62,337,905) (December 31, 2002 – US $51,860,924 (Cdn. $81,815,794)) of mortgage obligations secured by US property which bear interest at a weighted average rate of 7.16% (December 31, 2002 – 7.42%).

Principal repayments, including mortgage maturities and weighted average interest rates over the next five calendar years and beyond, are as follows:

(dollar amounts in thousands)	Repayments	Interest Rate
2004	$ 76,203	7.02%
2005	109,540	6.96
2006	120,338	6.55
2007	84,590	6.35
2008	85,814	6.00
2009 – and thereafter	205,493	7.03
	$ 681,978	6.72%

7. BANK LOANS

The Trust has arranged for various lines of credit with Canadian Chartered Banks totaling $240,867,875 at December 31, 2003 (December 31, 2002 – $108,096,375). As at December 31, 2003 $170,285,161 (December 31, 2002 – $65,053,470) had been drawn. Certain properties have been pledged as security for these credit facilities. Interest payable on these credit facilities is at each Bank's prime rate or at the option of the Trust, banker's acceptance plus 1.35% to 1.65% per annum if the funds drawn are Canadian dollars, or Libor rate plus 1.50% per annum if the funds drawn are United States dollars. As at December 31, 2003 the terms to maturity on the various lines of credit were less than 364 days.

The Trust has issued letters of credit in the normal course of business through a Canadian Chartered Bank totaling $2,000,178 at December 31, 2003 (December 31, 2002 – $2,550,181). These letters of credit are applied against the maximum available under the lines of credit.

8. CONVERTIBLE DEBENTURES

Convertible debentures issued September 30, 1998 for $27,356,000 bore interest payable monthly at a rate of 4% per annum for the first two years of the term and moved to 5% per annum for the last two years thereof. The convertible debentures were recorded as equity on the balance sheet, and interest on the debentures was charged directly against Unitholders' Equity. On March 27, 2002, convertible debentures of $14,858,000 were repaid in cash. On September 30, 2002, the remaining convertible debentures of $12,498,000 were retired through the issuance of 795,872 Units to the debenture holders at $15.70 per Unit.

9. UNITS AUTHORIZED, ISSUED AND OUTSTANDING

Authorized – Unlimited Number of Voting Units

Number of Units Issued and Outstanding

	2003	2002
Balance, beginning of the year	**51,449,107**	34,238,118
Units issued through equity offerings	**4,727,800**	16,327,703
Units issued to retire convertible debentures	**–**	795,872
Issued pursuant to distribution reinvestment plan	**431,860**	254,045
Units released (acquired) pursuant to Restricted Unit plan	**88,958**	(193,947)
Unit options exercised	**127,919**	27,316
Balance, end of the year	**56,825,644**	51,449,107
Weighted average number of Units	**52,047,681**	43,792,126

Diluted net income per Unit includes conversion of the convertible debentures at the option price of $15.70 per Unit until retirement (see Note 8) and Unit options having an exercise price of $10.85 per Unit until exercised. The weighted average number of Units does not include the 104,989 Units (December 31, 2002 – 193,947) held by the Trust to fund future Restricted Unit obligations.

Unit Option Plan

In accordance with the Unit Option Plan as amended and approved by the Unitholders, the Trust may grant options to acquire up to 5% of the aggregate issued and outstanding Units of the Trust. Currently, it is not the intention of the Trust to issue further grants under the Unit Option Plan. As at December 31, 2003, the maximum number of Units reserved for issuance under the Unit Option Plan was 1,082,036 (December 31, 2002 – 1,209,955) of which none are currently granted and outstanding to employees or Trustees of the Trust (December 31, 2002 – 417,183).

A summary of the status of the Trust's Unit Option Plan as at December 31, 2003 and 2002, and changes during the years ended on those dates, is presented in the following chart.

Unit Options	2003 Units	2003 Weighted Average Exercise Price	2002 Units	2002 Weighted Average Exercise Price
Outstanding, beginning of the year	**417,183**	**$ 14.91**	770,503	$ 15.19
Expired	**(289,264)**	**16.70**	(326,004)	15.91
Exercised	**(127,919)**	**10.85**	(27,316)	10.85
Outstanding, end of the year	**–**	**$ –**	417,183	$ 14.91
Unit options exercisable, end of the year	**–**	**$ –**	362,692	$ 15.52

10. RESTRICTED UNIT PLANS

Under the terms of the Restricted Unit Plans, the Trust may grant Restricted Units to Trustees, officers, senior employees, and consultants. Restricted Units vest at 33 1/3% on each of the first, second and third anniversaries of the grant date.

The number of Restricted Units issued and outstanding at December 31:

	2003	2002
Outstanding, beginning of year	**239,877**	169,015
Issued	**(93,388)**	(3,582)
Granted	**77,924**	74,444
Outstanding, end of year	**224,413**	239,877
Restricted Units exercisable, end of year	**181,163**	110,964
Fair value of Restricted Units granted	**$ 18.16**	$ 15.13

The Trust established a Restricted Unit entity for the purpose of buying and holding Units of the REIT, which would be segregated and used to settle these awards at future dates. Accordingly, as at December 31, 2003, the Restricted Unit entity held 104,989 Units (December 31, 2002 – 193,947) at a cost of $14.50 per Unit. In addition, 119,424 Restricted Units were held in escrow pursuant to escrow agreements in place to enforce the restrictions.

The Trust recorded $929,385 in compensation expense for the Plans for the year ended December 31, 2003 (December 31, 2002 – $906,441). The Trustees have approved a maximum number of Units allowable under the amended and former Restricted Unit Plans of 803,030 (December 31, 2002 – 569,015).

11. DISTRIBUTABLE INCOME

Distributable income, which is not defined within Canadian generally accepted accounting principles, has been calculated pursuant to the terms of the Declaration of Trust. As required, the Trust regularly distributes to Unitholders an amount equal to at least 80% of the distributable income, adjusted at the Trustee's discretion for net capital gains.

Distributable income per Unit for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Distributable income per Unit	$ 1.464	$ 1.585
Recurring distributable income per Unit*	1.620	1.617
Diluted distributable income per Unit	1.464	1.568
Diluted recurring distributable income per Unit *	1.620	1.599

**excludes gains/losses on property dispositions and the reduction of real property to net recoverable amount.*

Diluted distributable income per Unit and diluted recurring distributable income per Unit include conversion of the convertible debentures at the option price of $15.70 per Unit until retired (see Note 8) and Unit options having an exercise price of $10.85 per Unit (see Note 9) until exercised.

For the years ended December 31, 2003 and 2002, distributable income and cash distributions have been determined at the discretion of the Board of Trustees as follows:

(dollar amounts in thousands, except per Unit amounts)	2003	2002
Net income	$ 63,736	$ 59,380
Amortization of real property investments	12,379	10,177
Imputed interest expense	102	492
Interest on convertible debentures	–	(648)
	76,217	69,401
Distributable income (includes net losses of ($8,088) for the year ended December 31, 2003 and ($1,391) for the year ended December 31, 2002)		
Release (retention) of distributable income	3,733	(2,573)
Distributions	$ 79,950	$ 66,828
Distributions per Unit	$ 1.530	$ 1.530

12. RELATED PARTY TRANSACTIONS

The Trust incurred professional fees with a law firm, in which certain Trustees are partners, for the year ended December 31, 2003 totaling approximately $1,128,000 (2002 – $2,260,000). Fees relating to property transactions were capitalized to real property investments; fees relating to equity offerings have been charged to Unitholder's equity; and fees relating to financing have been deferred to other assets. For the year ended December 31, 2003, these fees amounted to approximately $980,000 (2002 – $2,144,000). All other fees were expensed.

13. IMPUTED INTEREST EXPENSE

The Trust has various mortgages that bear interest at rates which were less than market rates at the time the related property was purchased. The imputed interest expense is the difference between the face rate of interest and the market rate of interest at the time the transaction was completed.

14. INCOME TAXES

The Trust is taxed as a "Mutual Fund Trust" for income tax purposes. Pursuant to the Declaration of Trust, the Trustees intend to distribute or designate all taxable income directly earned by the Trust to Unitholders of the Trust and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for Canadian source income.

The Trust claims the maximum amount of capital cost allowance available in determining its income for tax purposes annually. This, along with other timing differences, results in the reported amounts of the Trust's net assets exceeding the tax bases by $136,140,000 at December 31, 2003 (December 31, 2002 – $119,090,000). Upon the disposition of a real property investment, recapture of capital cost allowance previously claimed by the Trust may result in taxable income to the Trust at the time of disposition. The Trust will claim and deduct from such recaptured capital cost allowance, the capital cost allowance available to it for the year. Any excess recapture income will then be allocated to Unitholders.

Avista REIT, a wholly owned subsidiary of the Trust has cumulative loss carry forwards of $5.5 million (December 31, 2002 – $6 million), which may be used by the Trust in future years to reduce taxable income.

Under United States law, the Trust may be subject to tax on a portion of its United States source income. The Trust intends to designate its directly held United States source income to Unitholders such that the Unitholders will be able to claim the foreign tax credit.

15. FINANCIAL INSTRUMENTS

Financial risk is the risk arising from fluctuations in interest and foreign exchange rates and the credit quality of tenants. The Trust manages its financial risks as follows:

a) Interest Rate Risk Interest rate risk is minimized as mortgages are substantially financed at fixed rates and the Trust attempts to structure its financings so as to stagger the maturing of its debt, thereby mitigating its exposure to interest rate fluctuations.

From time to time the Trust may also use hedges and derivative instruments to mitigate interest rate risk. As at December 31, 2003, the Trust had entered into interest rate swap and bond forward agreements for a total notional amount of $172 million in order to manage the interest rate exposure associated with certain debt obligations. The notional amounts of the swaps do not represent amounts exchanged between parties and are not a measure of the Trust's exposure resulting from the use of interest rate swaps. The amounts exchanged are based on interest rates applied to the notional amounts.

b) Currency Risk The Trust is exposed to currency risk as it relates to its real property investments in the United States. The Trust's exposure to unfavourable changes in the applicable exchange rate is limited to its net investment in United States real property, as its United States real property investments are self-sustaining.

Management further mitigates this risk by reducing its net investment in United States real property investments by financing foreign currency assets with foreign currency debt. As at December 31, 2003 the net book value of the Trust's real property investments and net investment in United States real property was $70.3 million US and $24.7 million US, respectively (December 31, 2002 – $77.9 million US and $26.0 million US).

c) Credit Risk Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience, which could cause them to be unable to fulfill their lease commitments. The Trust mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect of new leasing.

Fair Value

Fair values of financial instruments approximate amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments.

Where available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

The fair value of mortgages payable exceeded their carrying value by approximately $27 million at December 31, 2003 (December 31, 2002 – $27 million) due to changes in interest rates since the dates on which the individual mortgages payable were assumed. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms. The fair value of all other financial assets and liabilities approximate their carrying value.

16. SEGMENTED FINANCIAL INFORMATION

The Trust operates various commercial properties in Canada and the United States. Information related to these property types and geographic segments for the years ended December 31, 2003 and 2002 is presented below. The accounting policies used in the preparation of the segmented information are the same as those described for the Trust in Note 2 – Accounting Policies. The Trust primarily evaluates operating performance based on net operating income. As such, interest and general and administrative expenses have not been allocated to the segments. All key financing, investing, and capital allocation decisions are centrally managed.

2003 *(dollar amounts in thousands)*	Canadian Industrial	Canadian Retail/Office	US	Unallocated	Total
Gross property rental income and recoveries	$ 161,289	$ 60,648	$ 13,651	$ –	**$ 235,588**
Operating expenses	58,076	23,302	4,648	–	**86,026**
Net operating income	103,213	37,346	9,003	–	**149,562**
Amortization of real property investments	8,224	3,346	809	–	**12,379**
Amortization of deferred leasing costs	3,564	1,755	519	–	**5,838**
Loss on sale of real property investments	462	1,206	1,420	–	**3,088**
Reduction of real property investments to net recoverable amount	–	800	4,200	–	**5,000**
Interest expense	–	–	–	56,377	**56,377**
Other unallocated expenses	–	–	–	3,144	**3,144**
Net income	$ 90,963	$ 30,239	$ 2,055	$ (59,521)	**$ 63,736**

2002 *(dollar amounts in thousands)*	Canadian Industrial	Canadian Retail/Office	US	Unallocated	Total
Gross property rental income and recoveries	$ 120,110	$ 68,412	$ 17,818	$ –	**$ 206,340**
Operating expenses	43,853	27,194	6,519	–	**77,566**
Net operating income	76,257	41,218	11,299	–	**128,774**
Amortization of real property investments	5,413	3,734	1,030	–	**10,177**
Amortization of deferred leasing costs	2,350	1,585	755	–	**4,690**
(Gain) Loss on sale of real property investments	(401)	1,792	–	–	**1,391**
Interest expense	–	–	–	48,958	**48,958**
Other unallocated expenses	–	–	–	4,178	**4,178**
Net income	$ 68,895	$ 34,107	$ 9,514	$ (53,136)	**$ 59,380**

2003 *(dollar amounts in thousands)*	Canadian Industrial	Canadian Retail/Office	US	Unallocated	Total
Real property investments	$ 1,149,202	$ 312,784	$ 91,204	$ 329	**$1,553,519**
Additions to real property investments	213,619	–	19,840	–	**233,459**

2002 *(dollar amounts in thousands)*	Canadian Industrial	Canadian Retail/Office	US	Unallocated	Total
Real property investments	$ 929,913	$ 407,676	$ 123,088	$ 336	**$1,461,013**
Additions to real property investments	486,084	–	–	–	**486,084**

17. COMMITMENTS

Property Management Contracts

The Trust entered into a five-year property management contract, commencing June 1, 2002, with O&Y Properties to provide property management services to the Trust's Canadian retail and office portfolios. The property management contract can be terminated without penalty after the first 18 months. Property management fees are set at approximately 3.5% of cash receipts from gross property rental income and recoveries and, in most cases, are recoverable from tenants.

Obligation to Purchase Property Under Development

The Trust has an obligation to purchase a light industrial/flex space property located in Calgary, Alberta when construction and leasing are substantially complete. The Trust has provided a second mortgage to the property developer which bears interest at a rate of 10%. Once completed, the property will comprise approximately 202,000 square feet, and the final expected purchase price, based on a preset formula, will be in the range of $10,500,000 to $10,750,000.

18. REDUCTION OF REAL PROPERTY INVESTMENTS TO NET RECOVERABLE AMOUNT

The Trust has reduced the book value of an enclosed mall, currently under contract for disposition, located in Ontario by $800,000 to its net recoverable amount net of anticipated closing costs. The Trust has also reduced the book value of US property by Cdn. $4,200,000 to net recoverable amount as the Trust intends to dispose of the majority of its US assets over the next 18 – 24 months.

19. GUARANTEES

Upon disposition of the Petro Fina property in November 2003, the purchaser assumed the existing mortgage which was partially guaranteed by the Trust in the amount of $4 million. The Trust's guarantee will not be released by the mortgagee until the mortgage matures in July 2006.

20. COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform with the 2003 financial statement presentation.

21. SUBSEQUENT EVENTS

Consolidation of Management of Canadian Property Portfolio

On January 13, 2004, Summit announced that effective February 15, 2004 property management activities for Summit's entire Canadian real estate portfolio will be handled by its wholly-owned subsidiary, Summit REIT Property Management Ltd. Since its establishment in April 2002, Summit REIT Property Management Ltd. has been providing management services to Summit's Canadian light industrial/flex space portfolio. Previously the management of its remaining 2.5 million square feet of retail and office space in Canada had been conducted by an independent third party.

Mortgage Payouts

On January 14, 2004, the Trust repaid, without penalty, a mortgage of $10.3 million on properties held in Alberta. These properties were subsequently refinanced as part of the issue of commercial mortgage pass-through certificates.

On January 16, 2004, the Trust repaid a mortgage of $5.1 million US ($6.6 million Cdn.) on University Park, in Florida to take advantage of a lower cost of financing. The interest rate on the mortgage was 9.02%. A penalty of 1% of the outstanding balance was paid to retire the debt in advance of its May 1, 2005 maturity date.

Acquisition – Light Industrial/Flex Space Properties

On January 15, 2004, the Trust purchased a portfolio of five light industrial/flex space buildings located in Vaughan, Ontario. The portfolio consists of 349,000 square feet of gross leaseable space. The purchase price for the five properties was approximately $18.5 million and was funded through an assumption of mortgage and the Trust's acquisition line of credit.

Mortgage Financing

On January 19, 2004, Summit raised $172.6 million in mortgage financing through Commercial Mortgage Pass-Through Certificates offered by Falcon Trust, a trust established and administered through Scotia Capital for the benefit of Summit. The net proceeds were used to pay down Summit's current acquisition facilities and other lines of credit. The debt was secured by forty-five industrial/flex space properties located in major urban centers across Canada. The weighted average loan to value of the real estate financed is 66%. Approximately 72% of the mortgages have a seven-year term and are interest only. The balance consists of ten-year mortgages that will amortize over 25 years. The effective interest rates fixed for the duration of the 7 and 10 year mortgages are 5.40% and 5.78% respectively, which is approximately the equivalent term Government of Canada bond yield plus 1.19%. The interest rate swaps and bond forward agreements were settled on January 12, 2004 conterminously with the pricing of the financing transaction. As a result, the weighted average cost of this financing to Summit will be 5.78%.

Distribution Reinvestment Plan

DISTRIBUTION REINVESTMENT PLAN

A Distribution Reinvestment Plan (DRIP) was implemented July 15, 1996 and, as a result, Unitholders are entitled to have all distributions of income from the Trust automatically reinvested in additional units.

These units are reinvested at a price per unit which is calculated based on the average of the weighted average of the five days prior to the payable date.

OBJECTIVES

The absence of any charges makes the DRIP a cost-effective method for reinvestment, providing for:

- growth, and
- better cash management

PROCEDURES

To utilize the Distribution Reinvestment Plan, please follow these easy steps:

1. Complete a DRIP application and send it to CIBC Mellon Trust Company or, if you wish to receive an application form, contact CIBC Mellon Trust Company.

2. Some brokerage firms allow for Distribution Reinvestment Plans on an approved basis. Please consult your advisor to ascertain availability.

3. Alternatively, should this avenue not be available, you have the option to register the Units in your name rather than in the name of your brokerage firm. Once you have done this, you can easily follow step 1.

4. If your units are held in an RRSP with CIBC Mellon Trust Company, the units will be automatically reinvested. If you wish to transfer your units to a Single Purpose RRSP, to be eligible to participate in the plan or an alternative, please consult your current RRSP trustee to confirm access to the DRIP.

ENHANCED DRIP

To encourage participation in Summit's DRIP, registered Unitholders who have elected to receive their distributions in the form of units will receive an additional amount equal to 5% of their distribution. Please contact your investment dealer or visit our website at www.summitreit.com for more details.

WHO TO CONTACT

CIBC Mellon Trust Company
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Toronto, Ontario
M5C 2W9

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(Toll free throughout North America)
Facsimile: (416) 643-5501
Website: www.cibcmellon.ca
Email: inquiries@cibcmellon.ca

DISTRIBUTION INFORMATION

Proposed Schedule of Income Distributions for 2004

Distribution Period	Record Date	Payable Date
January 1–31, 2004	January 30, 2004	February 10, 2004
February 1–29, 2004	February 27, 2004	March 10, 2004
March 1–31, 2004	March 31, 2004	April 12, 2004
April 1–30, 2004	April 30, 2004	May 10, 2004
May 1–31, 2004	May 31, 2004	June 10, 2004
June 1–30, 2004	June 30, 2004	July 12, 2004
July 1–31, 2004	July 30, 2004	August 10, 2004
August 1–31, 2004	August 31, 2004	September 10, 2004
September 1–30, 2004	September 30, 2004	October 11, 2004
October 1–31, 2004	October 29, 2004	November 10, 2004
November 1–30, 2004	November 30, 2004	December 10, 2004
December 1–31, 2004	December 31, 2004	January 10, 2005

Note: In the event of a public or private offering, there may be a requirement for unscheduled special distributions.

Trust Information

BOARD OF TRUSTEES

Allan Olson
President, First Industries Corp.
Olson Management LTD – Edmonton, Alberta
Independent Trustee and
Chairman of the Board [1][2][3][4]

Eugene Bodycott
Partner, Cambridge Partners LLC
Charlotte, North Carolina
Independent Trustee [1][4]

Donald Carr, Q.C.
Partner, Goodman and Carr LLP
Toronto, Ontario
Independent Trustee [2]

Daniel Fournier
President, ACNG Capital Inc.
Montreal, Quebec
Independent Trustee [1][2][3]

Kenneth Mader, F.C.A.
Partner of Mader and Mader Chartered Accountants – Halifax, Nova Scotia
Independent Trustee [1][4]

Lou Maroun
President, Chief Executive Officer & Trustee [3]

John Roy
Trustee and Vice-Chairman of the Board

Saul Shulman, Q.C.
Partner, Goodman and Carr LLP
Toronto, Ontario
Independent Trustee [2][3]

The Board of Trustees has been constituted as a body to oversee the operations of the Trust on behalf of the Unitholders and to give direction and approvals to management following the guidelines embodied in the Declaration of Trust. The Board is composed of eight Trustees, one of whom is a member of management of the Trust.

(1) Member of the Audit and Environmental Affairs Committee
(2) Member of the Nominating/Governance Committee
(3) Member of the Investment Committee
(4) Member of the Human Resources & Compensation Committee

SENIOR MANAGEMENT

Lou Maroun
President, Chief Executive Officer & Trustee

Paul Dykeman, CA
Executive Vice President & Chief Financial Officer

Mark Hazell
Senior Vice President, Portfolio Management

Kathy Harder
Vice President, Property Management & President, Summit REIT Property Management Ltd.

Craig Newell, CA
Vice President, Finance

Jon Robbins
Vice President, Investments – National

OFFICE ADDRESSES

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As of June 1, 2004, new address:
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Toll free: 1-866-786-6481
Toll free fax: 1-866-786-1300

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact our Transfer Agent and Registrar, CIBC Mellon Trust Company, for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, ON M5C 2W9

Answer Line
(416) 643-5500 or 1-800-387-0825
(Toll free throughout North America)

Facsimile: (416) 643-5501
Website: www.cibcmellon.com
Email: inquiries@cibcmellon.com

AUDITORS

Deloitte & Touche LLP

UNIT LISTING

The units are listed on the Toronto Stock Exchange under the symbol SMU.UN.

ANNUAL GENERAL MEETING

Tuesday May 11, 2004 at 10:30 am

TheToronto Stock Exchange Auditorium
The Exchange Tower
2 First Canadian Place
Toronto, Ontario

Summit Real Estate Investment Trust

40 King Street West, Suite 3000, Box 302
Toronto, ON M5H 3Y2

5991 Spring Garden Road, 9th Floor
Halifax, NS B3H 1Y6

As of June 1, 2004, new address:
Cambridge Centre, Tower 2
202 Brownlow Avenue, Suite D-200
Dartmouth, NS B3B 1T5

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www.summitreit.com